SURVFY OF INDIAN HANDICRAFTS

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sponsored by

The All India Handicrafts Board

Ministry of Production, Govt. of India

and conducted by

The Indian Cooperative Union

New Delhi

REPORT ON THE MARKETING OF HANDICRAFTS

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1955

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REPORT
of the
HANDICRAFTS MARKETING SURVEY

sponsored by
the All India Handicrafts Board
Ministry of Production
Government of India

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prepared by the
Research and Education Division of
the Indian Cooperative Union

THE INDIAN COOPERATIVE UNION
is a voluntary nonprofit organisation
devoted to economic and social development
through cooperation

Indian Cooperative Union
Queensway
New Delhi
May 18, 1955

Dear Kamaladeviji,

It is with very great pleasure that I submit the Indian Cooperative Union's Report on the Marketing of Handicrafts desired by the All India Handicrafts Board.

We hope it would enable the All India Handicrafts Board and the Central and State Governments to evolve a clear marketing policy and establish and develop the necessary organisational structure to implement it.

I should like here to take the opportunity of expressing on behalf of the Survey Team its deep sense of gratitude for the constant inspiration and help which the Team received from you personally throughout its work.

With kind regards,

Yours sincerely,
L. C. Jain
General Secretary

Shrimati Kamaladevi Chattopadhyay
Chairman
All India Handicrafts Board
Ministry of Commerce & Industry
Government of India
New Delhi

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INTRODUCTION

Following up the recommendation of the First Handicrafts Marketing Conference held at Trivandrum in February 1953, the All India Handicrafts Board invited the Indian Cooperative Union to undertake a Survey of the Marketing of Indian Handicrafts. The Indian Cooperative Union accepting the assignment appointed a Survey Team consisting of :

Mr. RAJ KRISHNA,	Lecturer in Economics, Delhi College, Delhi University.
Mr. L. C. JAIN,	General Secretary, Indian Cooperative Union.
Mr. HOWARD C. FORD,	Cottage Industries Adviser, United States Technical Cooperation Mission.
Mr. R. S. GATTANI,	Marketing Officer, Indian Cooperative Union.
Mr. P. L. SETHI,	Assistant Development Officer, All India Handicrafts Board.

Mr. Ford left the Team in May 1954 upon the expiry of his term in India.

Mr. THOMAS B. KEEHN, Representative in India of the American International Association for Economic and Social Development and the Cooperative League of the USA, and Consultant to the Indian Cooperative Union, was throughout associated with the work of the Survey Team.

The Indian Cooperative Union, in a note on the objectives and methods of the Survey submitted to the All India Handicrafts Board and accepted by it, said :

> "The problem of the marketing of handicrafts has two different aspects.
>
> Firstly, goods that are being produced in satisfactory quality and at competitive costs at present need to be marketed more intensively and extensively. This requires more enterprise and a bigger network of selling organisations.
>
> But the number of handicraft products that satisfy the necessary quality and cost conditions is comparatively small. Therefore the provision of a bigger network of selling organisations and greater enterprise, although much needed, does not constitute the crucial aspect of the problem of marketing. The crucial aspect of the marketing problem is inseparable from a transformation of production.

The problem is to improve production in every respect: material-utilisation, machinery and methods employed, designing, finishing, packing etc., so that newer, better and cheaper goods are produced. Such *a radical improvement of production is a precondition of any substantial expansion of sales.*

Therefore, though the aim is to expand sales, it cannot be achieved without a prior reform of production so as to improve quality and reduce costs. The Survey Team should collect data from this point of view. The task of the Survey should be to collect data about the quantity and composition, costs and methods of production, employment, and the financing and marketing procedures of handicrafts at present, with a view to facilitating the drafting of concrete improvement schemes. The Survey Team should visit handicraft centres in various States and study the present position of handicrafts fully from the economic, technical and commercial points of view and assess the scope for the development of cooperatives."

Thus the scope of the Survey was extended. The Survey Team had to study not only the marketing, but also various aspects of the production of each handicraft. But, on the other hand, the Survey Team thought it was more practicable to restrict its study to a few, major localised handicrafts in view of the limited time and resources at its disposal. It felt it would be more helpful to the Board and the State Governments concerned to have concrete data and suggestions about the measures required for development in selected handicrafts in specific areas.

The Survey Team began its work in October 1953. During the first two months it studied all the available preliminary data, drew up its questionnaires and tour programmes, and surveyed the ivory industry in Delhi. Thereafter, the Team visited important handicraft centres in Andhra, Hyderabad, Madras, Mysore, Travancore-Cochin, Assam, West Bengal, Bihar, Orissa, Uttar Pradesh, Rajasthan, Madhya Bharat, Bombay, Saurashtra, Kashmir and Manipur.

From the outset, the Team faced the almost complete absence of elementary aggregate statistics about handicrafts, such as the number of production units, output, and employment. Until a complete census of small establishments is held, only approximate aggregate statistics could be compiled on the basis of data supplied by the Industries Departments of the States concerned, cross-checked with information directly collected by the Team from local traders' and workers' organisations, where they existed, or experienced merchants and master-craftsmen.

Apart from collecting the available figures the Team tried its best to make a qualitative study and assessment of the situation in each craft. In every important handicraft industry in each area selected for the Survey, the Team visited a few small, a few medium sized and a few big units of production, including private, cooperative and government units. It interrogated the managers and proprietors of these units on different aspects of production and marketing. Besides, it studied the marketing structure in the markets

themselves. It held long discussions with the Government officers concerned in the Industries and Cooperative Departments of the States visited, representatives of traders' and workers' organisations, where they existed ; office-bearers and prominent members of artisians' cooperatives ; and, last but not least, a good number of individual workers working in their humble cottages who contributed considerably to the understanding of their problems.

The data collected by the Team and its recommendations on important individual crafts are being submitted to the All India Handicrafts Board in the form of monographs.

This Report contains the overall analysis and recommendations of the Survey Team on the problem of handicraft marketing.

The Indian Cooperative Union would like to express its gratitude to Mr. Raj Krishna for the planning of the Survey and for writing this Report, and to Delhi College for enabling him to join the Survey Team.

The ICU would like to place on record its appreciation of the unremitting assistance given to the Survey Team at various times by the Research and other staff consisting of Mr. N. N. Madan, Dr. Anand Prakash, Mr. K. K. Lamba, Mr. M. R. Kaushal, Miss Shailabala Ambegaokar, Miss Himani Lall, Mr. G. P. Srivastava, Mrs. Sheila Leiman Weiner, Mr. P. C. Joshi, Mr. Balbir Singh, Miss Manorama Joshi, Mr. Gopi Krishan, Miss Gulshan Krishanlal, Mrs. Prem Bery and Mr. Tilak Nijhowne.

The ICU would also like to express its deep gratitude to all those officials as well as a large number of non-official friends at all levels of the industries surveyed, who helped the Survey Team to make its task easier, especially, Mr. C. T. Phillip, of the Victoria Technical Institute, Madras, who accompained the team on its southern tour, Mr. P. S. Bajpai and Mr. G. P. Dubey of the Uttar Pradesh Government, Mr. N. Mirza of the Hyderabad Government, Mr. D. N. Saraf, and Mr. G. H. Meer Qasba of the Kashmir Government, Mr. G. Maharathy of the Bihar Government, Mr. S. R. Sen of the West Bengal Government, Mr. S. N. Sikdar of the Assam Government, Mr. R. R. Kripalani of the Bombay Government, Mr. R. P. Shivana of the Mysore Government. Mr. A. C. Das Gupta and Mr. K. N. Tikku of the Rajasthan Government, Mr. M. Bhatnagar of the Saurashtra Government, and Mr. N. Swamy of the Madhya Bharat Government.

The ICU would like to express its warm appreciation of Mr. Som Benegal's work in editing the Report.

And finally the ICU would like to thank Mr. T. Dass and Mr. R. Padmanabhan in generous measure for transcribing the entire report and Messrs. Gestetner Ltd., New Delhi for mimeographing it.

Chapter 1

POLICY

1. "MIXED ECONOMY" IS A FACT as well as a policy: As a fact it means the chaotic mixture of different forms of economic organisation which mediæval feudalism and modern laissez faire have left behind. As a policy it means, not an uncritical acceptance of this inherited medley, but the conscious "rationalisation" of it by the welfare state.

2. In the field of handicraft marketing, as in other sectors of economic activities, we start with the fact of a "mixture". There are at least four types of marketing agencies functioning side by side: 1. complicated chains of profit-seeking middlemen, 2. government agencies, 3. cooperative agencies and 4. nonprofit-making agencies other than cooperatives.

3. A basic question of policy immediately presents itself. How is the mixture to be rationalised by the welfare state wedded to a policy of mixed economy ?

4. Under the mixed economy policy, no single form of economic organisation is accepted or rejected a priori. All kinds of enterprise may exist side by side. But their relative importance, the proportion of the total output handled by each, keeps changing. It would change even if the states did nothing. But when the state has ceased to be a mere onlooker and become the initiator and active promoter of change, it must have a definite policy as to the manner in which the proportions are to change; and take appropriate measures to see that they do change in the intended manner. It must decide, sector by sector, whether it eventually wants private enterprise or direct governmental enterprise or (assisted) cooperative enterprise to predominate. A mixed economy policy is not only not inconsistent with, but requires, a definite and declared preference for different kinds of organisations working in each field. A mere endorsement of the existing mixture or the eulogisation, in turn, of its several elements is not enough.

5. A mixed economy policy requires, in fact, a more thorough planning than a plain economic monism would. For, the state has not only to determine the proper sphere of each type of organisation; it has also to see that the different types do not work at cross purposes; that they not only 'coexist' but cooperate for the public good. It has to create conditions in which each type may make its maximum contribution without frustrating others.

6. What type of enterprise do we want to dominate the handicraft marketing sector as a matter of long term policy ?

7. This involves a fundamental policy decision on which all subsidiary decisions should be based. We should clearly visualise the organisational pattern we want to bring into being in the long run. And every specific measure of state intervention, regulation and promotion should be related to it. An odd assortment of unprincipled and uncoordinated schemes might only damage the working harmony, such as it is, of the existing framework without either reforming it or replacing it.

8. In order to fix the role of different types of agencies in the handicraft marketing field we should 1. examine the present situation, for that would indicate the limits of what could be done, and 2. discuss the inherent competence of each to "deliver the goods" to those whom we want to benefit on terms which we consider fair.

9. It is a pity that an accurate, or even reasonably correct, quantitive estimate of the relative share of private, state and cooperative enterprise in the handicraft trade cannot be given. The relevant statistics are simply not available. Nevertheless, we have made an attempt to arrive at some rough estimates from the meagre data available and from our own field investigations in selected areas.

10. The total value of handicraft output may be indirectly estimated as follows :

	Rupees in Crores	Source
Production of "small enterprises"	910	Final Report of the National Income Committee.
Less : Production of "small industries" akin to or allied with, large industries	303.3	Report of the Reserve Bank Committee on Finance for the Private Sector.
Less : Production of handloom cloth	185	Handloom Weaving Industry 1952-53 Annual.
Less : Production of khadi and village industries	172.2	"Planning for Full Employment"- Report of the All India Khadi & Village Industries Board.
Production of small enterprises in industries other than handloom, village and small industries	249.5	

Making allowance for other non-handicraft industries, we may estimate the total value of handicraft production to be at least Rs. 100 crores. The total value of handicraft production in the areas visited by the Team has been estimated by us at Rs. 31.1 crores[1]. On this basis too, total handicraft output should be at least Rs. 100 crores. Assuming handicraft production to be at least Rs. 1000 crores, cooperative

1 See appendix at the end of the chapter.

and public marketing do not seem to be handling more than three per cent of it. For, the total sales of industrial societies other than weavers' societies was Rs. 2.36 crores on 30.6.1952.[1] And the total sales of public emporia[2] during the last five years have averaged only Rs. 82.0 lakhs. Since the sales of industrial cooperatives include numerous articles other than handicrafts and the sales of public emporia include handloom fabrics, the sales of handicrafts proper should be much less than Rs. 3.18 (2.36 plus 0.82) crores.

11. Thus over ninetyseven percent of handicraft production is handled by private agencies, not more than two percent by cooperative agencies and not more than one percent by public marketing agencies.

12. Quantitatively, the role of private enterprise in the field of handicraft marketing has been and still is today so overwhelmingly important that there is little prospect in the near future of supplanting it or even reducing it to an insignificantly small size. The entry of public and cooperative enterprises in this field is a recent development and so far neither has captured a sizeable sector of the market. Moreover, owing to the peculiar drawbacks of public and cooperative enterprise it is likely that inspite of all criticism, in spite of unfair competition from them, private enterprise will continue to hold its own and handle the bulk of handicraft output for a long time to come.

13. We draw attention to the preponderance of private enterprise not with a view to recommending it in principle. On the contrary, we have concluded from our field studies all over the country, without any a priori prejudice against it, that whatever be its intrinsic merit, whatever the service it may have rendered in the past, at present it has degenerated into a purely parasitic phenomenon. It exists mainly on the sweat and suffering of the working artisans. It has not shown any concern for their continued employment or minimum wellbeing nor any foresight and sense of responsibility for the future of handicrafts. It has failed to meet the challenge of competition through a radical adaptation of production to changing conditions ; instead it has responded to it by intensifying the exploitation of the workers through wage reductions, sharp practices and unfair deductions. It has played the self-stultifying game of making quick, speculative profits by deliberately lowering quality standards, using bad and adulterated materials, cutting sizes and dimensions, and supplying goods of shoddy quality inferior to the approved samples. Thus it has damaged the reputation of Indian handicrafts abroad and impaired their longterm prospects. It has failed even to bear the normal risks and responsibilities of marketing. The burden of financing the movement of goods has been passed on by it to the artisans through the increasing use of the system of consignment purchase and late payments. And such finance as it has had, has been used for usury at the expense of the craftsmen. There are a few exceptional dealers in every craft, but their existence only throws the shady activities of the ruling majority into bold relief.

14. We thus confront a difficult situation. We have to face the fact that neither the fate of the artisans nor the future of handicrafts can safely be left in the keeping of

1 Report of the Reserve Bank Committee on Finance for the Private Sector, p. 162

2 See Chapter 3

middlemen and yet the quantitative supremacy of private enterprise will compel us to accept its continuance for a long time.

15. Extremism of any kind obviously cannot meet the situation. In spite of its serious failings the continued existence of private enterprise has to be accepted. But its working must be reformed partly through legislation, partly through persuasion and voluntary discipline by recognised dealers' associations. The government has to provide certain facilities to help the dealers to improve their production and extend their markets. These should include an inspection service, a publicity service, a technical extension service. a design service and a market intelligence service. A combination of these measures should enable the private sector to overcome its deficiencies and continue to play its due part in handicraft marketing. These measures are discussed in greater detail in subsequent chapters.

16. Reaction against the weaknesses of private enterprise should not, however, produce an unthinking enthusiasm for state enterprise. For, in the first place, the marketing of consumer goods, specially consumer goods which are not articles of necessity for the masses, is normally considered to be a legitimate field for private enterprise even in socialist thought. The total field of retail trade is so vast that it would be nearly impossible for any government to set up a centralised apparatus to manage it. In large countries it is vaster still. By its very nature retail trade has to be dispersed and decentralised. And the kind of service which retailers are supposed to render to consumers is not one which government administrations are equipped to render. In view of this, the entry of government in the handicraft trade, as in retail trade in general, has to be specially justified. It is clear that in principle, and in the long run, there is no justification for it. This should be borne in mind by all those who would seem to think that the substitution of state enterprise for private enterprise is in itself desirable in every field ; and that, therefore, for the improvement of handicraft marketing all that is required is that government agencies take the place of private middlemen.

17. Secondly, state enterprise has its own inherent weaknesses. It is quite possible that the substitution of state enterprise for private enterprise may not improve the situation at all. The same deficiencies may continue to exist, may even be aggravated. The authorities may conceal or explain away the same old bad practices with the help of a new terminology.

18. As the Report on the Efficient Conduct of State Enterprises by Mr. A. D. Gorwala points out :

> "A public enterprise from its very nature is subject to certain important handicaps which need not arise in private business.
>
> Since the public enterprise is to be financed by government, the importance of accurate estimates and prompt action is often not sufficiently appreciated. Again, for the same reason of lack of personal risk, important matters are likely to be treated as routine

and dealt with in a dilatory fashion. The direction and management in private enterprise is generally more personal and has a great deal at stake in the success of the concern. It will also often be experienced and continuous. As against this, the management and direction of a public enterprise will generally be impersonal, and occasionally even detached. Since most public enterprises are new, often it will be inexperienced. If, moreover, the enterprise is run as a government department or permanent government servants are employed in it, the likelihood of changes in personnel due to transfer, promotion, etc. is also bound to be great. Again the authority running a public enterprise is not likely to be able to use his own discretion to the same extent as the director in charge of a private concern ; while the latter is autonomous, the former is generally controlled. Rules and regulations in the matter of appointment, promotion, reduction, dismissal are bound to be more rigid in a government-owned and managed enterprise than in a private concern, built up on the basis of 'hiring and firing'. A further disadvantage from the business point of view that a public enterprise has to bear, is the insistence on government being a model employer."

19. In the government emporia established so far for the maketing of cottage industries products, the full impact of all these handicaps can be felt.

20. They are incurring inordinately heavy expenses on establishment and overheads on the strength of government grants. The prices of similar goods are not only not lower but even higher than in the market. Nor are the margins lower. They often buy and sell through the very same middlemen whom they are supposed to replace. Their loses are explained away and debited to the exchequer. Design and process monopolies are created and preserved with public money. The treatment of artisans is no better in respect of wages, general behaviour and promptitude of payment than in the past. The system of consignment purchase is preserved and extended. Purchase procedures provide many opportunities for undesirable discrimination.

21. Thus government enterprise would need no less reformation than private enterprise in order to prove its positive merit. So far the case for it merely negative : it rests on the failure of private enterprise. It should first prove in practice that it can render a more efficient and cheaper marketing service before any attempt is made by it to replace private enterprise. In other words it should offer a "quality competition" rather than a "volume competition" to private business. Expansion in the volume of business will follow inevitably (provided funds are available), if there is improvement in the efficiency of the marketing service. There is no reason why consumers and artisans would not be eager to avail of the service of government agencies rather than private middlemen if it is better. But a mere increase in the number of government marketing agencies, without a proved superiority in actual functioning, may only create the illusion of progress without doing much real good.

22. Thus the role indicated for government enterprise is transitional and twofold. First, it should set new standards of marketing service and influence the private trade by a quality competition, to reform itself Then it should pave the way for cooperative enterprise which, in our opinion, should dominate handicraft production and marketing in the long run.

23. Almost universally, cooperation is now accepted as the best form of organisation for handicraft marketing and production. It is, therefore, unnecessary to dwell upon its merits in detail. We may only cite the following passage, from an ILO study,[1] in which the case for the cooperative marketing of handicrafts is succintly set out.

> "In addition to facilitating the solution of problems of production, cooperative organisation provides a well-established and proved instrument in all questions concerning the search for remunerative and stable markets. Efficient marketing requires capital, knowledge of the market, the capacity to wait, the establishment of standards of quality, the ability to keep in touch with technical progress and readiness to change products to suit changes in consumers' tastes. In the sale of most products this is a specialised and full-time occupation, and the inability of the individual craftsman to give sufficient attention to this aspect of economic activity has generally been the cause of his economic subservience to the trader and the entrepreneur. The problems associated with marketing, though relatively simple where production is for the immediate needs of the village, increase immensely in complexity as soon as the boundaries of trade are enlarged, and become especially intricate where production is for export. Through cooperative organisation in marketing, the small producer and artisan are enabled to give full attention to their normal work while drawing the benefits of efficient and large-scale trade, supervised by trained and paid employees specialising in this branch. Cooperative marketing of the products manufactured by individual artisans or in the small factory is essential to the process of cooperative production."

24. The promotion of cooperative enterprise is, however, beset with numerous difficulties of its own. The measures required to overcome them are discussed in Chapter 4. But there can be no doubt that a cooperative structure should be the ultimate aim of policy in this field for sociological as well as practical reasons.

25. On the whole the policy indicated is 1. that the working of private enterprise has to be accepted for a long time, and has to be reformed, 2. that government enterprise has to be extended to cover the transition, because of the centralisation of initiative and financial capacity in the hands of the state that has already taken place and 3. that ultimately there is little to choose between these two either from the point of view

1 Possibilities of Cooperative Organisation, International Labour Review, December, 1950.

of the welfare of craftsmen or the future of handicrafts, and therefore the objective should be to have in due course a network of production and marketing cooperatives at all levels to take the place of the merchants and take over the management of government depots and emporia. It is in the light of this basic preference that all our specific recommendations have been made.

APPENDIX

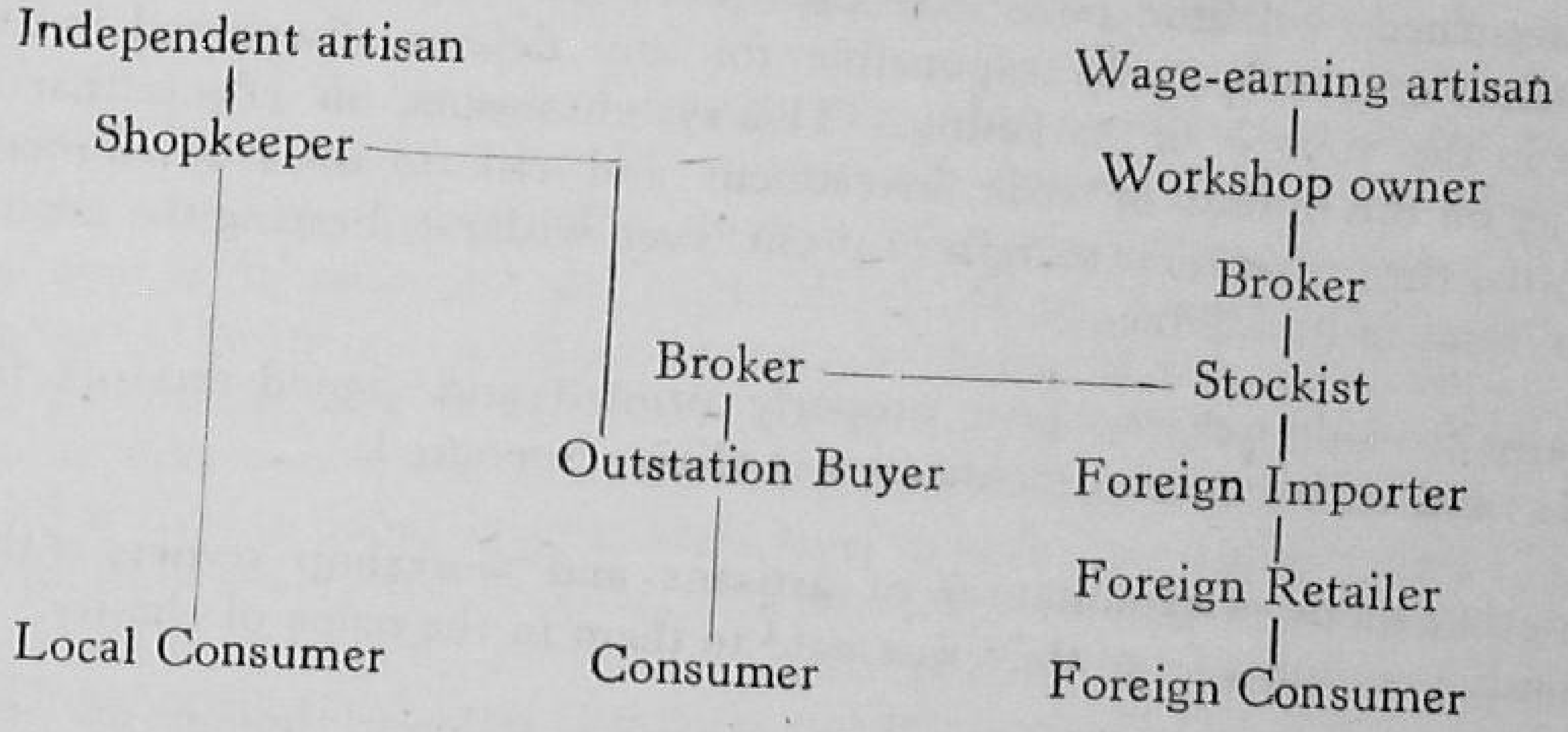
Summary Statement Showing Estimated Production and Employment in Selected Handicraft Centres

	Name of the Craft	*Estimated Production (in lakhs Rs.)*	*Estimated Employment*
1.	Dyeing and Printing	690.71	35,235
2.	Floor Covering	535.10	38,260
3.	Brocades	617.00	60,610
4.	Ivory Carving	10.30	892
5.	Potteries	3.80	740
6.	Papier Mache	2.40	310
7.	Horn Articles	0.90	250
8.	Toys	7.19	1,195
9.	Wood Carving and Inlay	11.95	1,516
10.	Metal Ware	892.18	2,09,325
11.	Mats and Matting (fine only)	5.63	1,910
12.	Silver Filigree	2.62	310
13.	Leather Art Goods	25.35	1,195
14.	Shell Work	9.00	1,400
15.	Chikan Work	10.00	2,000
16.	Embroidery and Zari Embroidery	290.21	10,000
	Total	3,114.34	3,65,148

Chapter 2

PRIVATE MARKETING

26. THE GENERAL PATTERN OF THE MARKETING of handicrafts through middlemen is well known. Independent artisans working in their homes or workshop owners (karkhanedars, master-craftsmen, sub-contractors) sell the goods manufactured by them either to big stockists (merchants, exporters) or small shopkeepers, either directly or through brokers.[1] The stockists and small dealers, in turn, sell them either to local consumers or outstation merchants or foreign importers either directly or through brokers. Thus goods move along the following typical lines :



27. The big dealers have relatively larger financial resources and carry larger stocks than the small shopkeepers who are just sale intermediaries with small or no stock-carrying capacity. Some of them have goods made to order directly from the artisans and advance money to them for the purchase of materials. Artisans working on this basis are in regular debt to the dealers on account of these advances. In order to pay back the debts, on which interest is regularly added, they have to sell their goods only to their creditors at low prices. Dealers, however, increasingly prefer to buy from worshop owners (karkhanedars, master-craftsmen, sub-contractors) to whom smaller or no advances have to be made, and who get work done by the artisans under their personal supervision according to instructions given.

28. Competition amongst the small shopkeepers is extremely keen. Sometimes prices are cut even below normal costs in the struggle to win customers. But the incidence of such price-cutting is invariably passed on by the shopkeepers to the artisans through price or wage deductions and sharp practices.

1 There is a small sale direct from the artisans to consumers, especially in crafts making ceremonial requisites or goods to order, such as shoes, clothing, furniture, etc.

29. Dealers take full advantage of the weak position of the artisans and workshop owners—especially the former—to bargain them into selling their articles to them at the lowest possible prices. Often articles are purchased for bare prime cost ; sometimes, as in periods of depression, even that is not covered.

30. But apart from the payment of unfair prices, there are two other evils associated with the dealers' treatment of artisans and workshop owners, namely, late payments and miscellaneous unfair deductions.

31. Ordinarily, payments are made from 15 to 60 days after the delivery of goods. The system of consignment purchase is being increasingly employed to the detriment of the artisans. Previously, the system was meant to enable the artisans to keep themselves busy during the slack season which lasts for at least four (summer) months every year. They could hand over the goods manufactured by them during the slack season to the dealers on a "payable when sold" basis. But now dealers have started taking goods more or less regularly on this basis. If they remain unsold for a long time they are even returned with the plea that they were damaged. In fact, as a rule, artisans and workshop owners are held responsible for any defects discovered in the articles at any stage in the course of marketing. This system means, in effect, that the dealers are passing on the burden of trade investment and risk to the artisans themselves. In other words, they earn their margin of profit even without bearing the normal risks and responsibilities of middlemen.

32. Many firms do not even give properly printed and signed receipts for the goods received ; and verbal commitments are not always honoured.

33. Another mode of exploitation of artisans and workshop owners is the deduction of substantial amounts from the value paid to them in the name of charity.[1]

34. Middlemen's normal declared margins are as follows, though on account of the peculiar nature of the handicraft trade they show wide variations from craft to craft, firm to firm, and town to town.[2]

> *Workshop owners* 6¼ to 12½ percent ; *Small shopkeeper* 6¼ percent ; *Stockist* 6¼ percent in case of payment within one month, 12½ percent in case of payment within three months, and 25 percent in case of payment within six months ; *Retailer* 25 to 100 percent ; *Broker* 3-1/8 percent.

35. As we have said in the first chapter, for a long time private marketing must continue to exist inspite of its defects. But its working can and must be reformed. Three kinds of reform measures seem to be necessary :

1. Legislative measures,

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1 For a detailed account of the deductions made in one industry see our monograph, "The Silk Brocades Industry of Banaras" page 22.

2 For further data on private wholesale and retail margins in particular crafts and a comparison with the margins of public emporia see Chapter 3, page 18 below and our monographs on different crafts.

2. Measures of persuasion and voluntary discipline, and

3. Measures of assistance.

36. There are certain reforms which can only be imposed by law, In this category we put quality control. The deliberate cheating of customers in respect of quality has become such a widespread evil and is doing such irreparable damage to handicrafts that nothing less than legislation can improve the situation. But the legislation has to be mild and permissive. The nature of legislation required is discussed in Chapter 7.

37. Some reforms have to be brought about through persuasion. Dealers should be persuaded to develop voluntary discipline. They should have a code of conduct imposed by their own associations with the powerful sanction of public opinion. Traders of every town, dealing in every craft, have, by tradition, always had a code of conduct. But of late, all codes have broken down. No code commands the allegiance of dealers. Even ordinary business morality is not observed. Dealers' associations are torn by petty group rivalries. They cannot act unitedly except when some government quotas have to be shared by them, or a workers' agitation has to be dealt with.

38. One reason for the breakdown of traditional mercantile ethics is the entry in every handicraft of new firms who have no stake in the trade. They enter it only to make some quick, speculative profits when there is a shortlived demand boom. They do not and have no need to recognise any code of conduct. They do not care if through sharp practices the trade in a particular craft is damaged for they propose to shift to some other line as soon as the boom in this one is over. The unfair but temporarily successful competition of these new entrants sometimes makes it necessary even for established traders to come down to their level in order to maintain their business at all. This compulsion is very strong in those trades where the overall trend of demand is downward and an increasing number of shopkeepers try to share a dwindling volume of trade. Thus unrestrained competition is steadily impairing the longterm prospect of handicrafts.

39. The way out of this situation—which can by no means be handled by legislation—is the organisation of "recognised" dealers' associations in every craft in every town. Those associations should be "recognised" by the All India Handicrafts Board which adhere to an approved code of conduct in respect of quality standards, competition, treatment of artisans, methods and procedures of payment, protection of new designs etc. Certain facilities which public agencies might make available for the benefit of private dealers should be given only on condition that the beneficiaries belong to and adhere to the discipline of the recognised associations. As a Rule only one association should be organised and recognised in every craft in every town where a large number of dealers operate.

40. Among measures of assistance may be included :

1. a publicity service ;

2. the maintenance of common facility shops where certain processes of manufacture are carried out at a nominal charge ;

3. a technical extension service ;
4. a design service ; and
5. a market intelligence service.[1]

41. These services will enable the private sector to readjust itself to the changed circumstances and play its proper role in the handicraft economy.

42. In providing these services. however, government agencies should give first preference to artisans' cooperatives ; second to artisans working in their homes ; and third to dealer-manufacturers.

43. One of the conditions of expanding the market for handicrafts is that dealers change their policy from that of earning large and temporary profits on a small turnover to that of earning a small profit rate on a large, increasing and durable turnover. The policy of making quick speculative profits may pay in the short run, but it is very ruinous for handicraft industries in the long run. This policy has been very detrimental specially to the growth of the export trade in recent years. Once the foreign importers realise that they are being mulcted, they lose all interest in the line, apart from the fact that the market itself remains restricted due to uncompetitive prices.

44. As an example of what private enterprise may do to free itself from the stigma of exploitation we may cite the case of the Thai Silk Company. "Although the company is not strictly a cooperative, all the head weavers supplying the company as well as the principal employees of the silk company are shareholders."[2] We recommend this pattern for our private traders to consider. If they follow the practice of making their supplying artisans partners in their marketing enterprises, they would prove that they are not mere appropriators of the surplus value produced by the artisans but fairshare colleagues. They would release among the artisans a new spirit of enthusiasm and co-operation which would reflect itself in better workmanship, lower costs and timely deliveries.

45. The new, highly educated generation of the mercantile community is growing up with new ideals of social service and an awareness of the injustice inherent in the activities of their fathers and forefathers. This generation should be expected and persuaded to re-organise the hereditary concerns on new, radical lines, if private enterprise is to keep pace with the needs of the changing times.

46. In considering the role of private traders a distinction should always be made between the small trader and the large dealer. It is true that under the compulsion of the system under which he functions, the small trader is as much an exploiter of the artisan as the big dealer. In fact, owing to a greater paucity of capital and small turnover he pays the artisans even less than the big dealer, and makes more unfair

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1 See chapters 3, 7, 8 and 9.

2 ECAFE Report of the Working Party on Small Scale Industries and Handicraft Marketing, 7th August, 1952—p. 10.

deductions. But in spite of this his net monthly earnings are not very large. On an average, and apart from windfalls, the small traders manage to earn just a few hundred rupees per month (say, between Rs. 100—500) ; a large number earn even less than a hundred. They are the group engaged in, as well as the victims of, severe cut-throat competition. In any depression the greatest casualties, bankruptcies and losses occur among the small traders. Their competitive struggle can hardly be treated as a struggle for large profits, for they have neither the knowledge, the enterprise nor the resources, although they may have the desire to make large profits. Their struggle is a struggle for survival and subsistence. The increasing pressure of numbers is making this struggle harder and harder. They know that mutual cut-throat competition is ruinous for them, and yet they must indulge in it, for, if they do not, they would not eke out even the small earnings that they do. They have fallen into a vicious circle. A sense of stagnation and a fear of eventual bankruptcy as trade declines and government interference increases haunts their minds, but they are too ignorant and conservative to think a way out.

47. Wherever we went, the small trader had his own sorry tale to tell : his struggle against the big dealer, his lack of finance, the decline of demand, the vicious circle of increasing competition and decreasing earnings. It seems to us to be necessary that the small businessmen's plight should be understood and they should be sympathetically and constructively advised as to the course of action they should pursue. The problem is much more difficult than the simple slogan of eliminating the middlemen assumes it to be. In fact, it requires comprehensive research. In our country, no systematic studies have been made of the stateof small business. We suggest that the All-India Handicrafts Board should sponsor a few investigations in important commercial towns. Everywhere we found large groups of small traders anxious and willing to listen if anybody told them what precisely they ought to do. They are extremely unhappy about their own situation, but have little knowledge of the reasons for their plight, the forces working against them and the measures required to solve their problems.

48. Our proposal is that we must begin to conceive of a new category of cooperatives, the Small Traders' Marketing Cooperatives, which the small traders should be invited to join.

49. Our discussions with traders in most towns have convinced us that a good proportion of the small firms in every town (and they are everywhere in an overwhelming majority) would be willing to join such cooperatives. But their organisation would require a different type of leadership in the cooperative movement which could talk to and deal with the small traders without regarding them as untouchables for the cooperative movement and without sacrificing the essential principles of the movement. The atmosphere which one finds of absolute hostility between the cooperative movement and the private shop of any size and kind has little justification either in the light of the theory of cooperation or the hard facts.

50. It is a hard fact that a majority of the small traders are not earning, at any rate now, a net margin of more than 12½ percent on their turnover. If for rendering the

same service a margin of this order is considered quite legitimate for government and cooperative agencies, there is no reason why these dealers should not be persuaded to pool their resources and function on a similar basis. It would make it possible to utilise the commercial knowledge and experience of the traders and yet put an end to the malpractices and exploitation to which they are accustomed.

51. The bye-laws of these cooperatives should, of course, be carefully designed so as to provide :

1. that either supplying artisans would also be entitled to become members of these cooperatives or a fixed minimum percentage of the net profits would be credited to an artisans' bonus fund, out of which bonus could be given to every supplying artisan in proportion to the value of his supplies during the year ;
2. that wages paid would be standardised ; and
3. that there shall be fixed limits to the shares held by an individual dealer.

52. We can think of no better or quicker method of reorganising the structure of the private marketing of handicrafts than the organisation of small dealers' cooperatives on these lines.

PUBLIC MARKETING

53. STATE TRADING IN HANDICRAFTS is a recent development in this country. Before the advent of independence a few small government sale depots had been started in some States viz., Assam, Bihar, Hyderabad, Mysore, UP and Orissa for the marketing of handloom cloth. The All India Cottage Industries Board, established in 1948, recommended the setting up of emporia at the centre and in the States for the marketing of cottage industries products in India and abroad. Accordingly, the Central Cottage Industries Emporium was established in New Delhi in 1949 and a large number of States expanded the old marketing organisations or established new emporia. Those who have not been able to do so propose to start them before the end of the First Five Year Plan.

54. The following government emporia are functioning at present.

LIST OF GOVERNMENT EMPORIA

State	Name of the organisation and year of establishment	Abbreviated name used hereafter	Location of the main depot	Depots other than the main depot	
				No.	Location
1	2	3	4	5	6
Assam	Government Sales Emporium (1922) ...	Assam (G)	Gauhati	...	...
Bhopal	Government Sales Emporium (1953) ...	Bhopal (G)	Bhopal	...	...
Bihar	Bihar Cottage Industries Marketing Organisation (1935) .	Bihar (G)	Patna	...	...
Bombay	Cottage Industries Depot .	Bombay (G)	Bombay	6	Nasik, Sholapur, Nadiad, Bijapur, Baroda, Kolhapur,
Hyderabad	Government Sales Depot (1930) ...	Hyderabad (G)	Hyderabad	1	Aurangabad
Kashmir	Kashmir Arts and Crafts Emporium (1949) ...	Kashmir (G)	Srinagar	10	Jammu, Bombay, Delhi, Simla, Calcutta, Lucknow, Amritsar, Madras, Bangalore, Jullundur.
Madhya Bharat	Cottage Industries Emporium (1946) ...	M B (G)	Indore	7	Gwalior, Mhow, Ratlam, Ujjain, Shivpuri, Bhilsa, Khargoan.
Madhya Pradesh	Cottage Industries Emporium ...	M P (G)	Nagpur	3	Akola, Jubbalpore, Raipur.
Mysore	Government Arts and Crafts Emporium (1921) ...	Bangalore (G)	Bangalore	...	..

1	2	3	4	5	6
	Sri Chamrajendra Technical Institute ...	Mysore (G)	Mysore	...	...
Orissa	Textile Marketing Organisation (1932) ...	Orissa (G)	Cuttack	2	Sambalpur, Baripara.
Punjab	Government Sales Depot	Punjab (G)	Simla	1	New Delhi,
PEPSU	Government Sales Depot. (1951-52) ...	PEPSU (G)	..	2	Phagwara, Malerkotla.
Rajasthan	Central Marketing Organisation (1946) ...	Rajasthan (G)	Jaipur	3	Guest House, Jaipur, Jodhpur, New Delhi.
UP	Government UP Handicrafts (1915) ...	UP (G)	Lucknow	7	Aminabad (Lucknow), Allahabad, Agra, Meerut, Dehra Dun, Nainital, New Delhi.
West Bengal	West Bengal Government Sales Emporium ...	WB (G)	Calcutta	...	...

55. Until recently most of them had been dealing mainly in handloom fabrics but they are now handling handicraft products as well.

56. The Governments of Andhra, Assam, Bihar, Bhopal, Bombay, Coorg, Delhi, Jammu & Kashmir, Kutch, Madras, Madhya Bharat, Madhya Pradesh, Manipur, Mysore, Orissa, PEPSU, Travancore Cochin, Tripura and Vindhya Pradesh have plans to increase the size and/or the number of their depots, or to set up new emporia as detailed below:

State	New Organisation proposed	New depots of old organisations proposed
Andhra	A central sales emporium at Vijayawada and a branch at Rajahmundry	...
Assam	...	Seven district depots
Bihar	...	Rural sale depots at Sehore and Obeidullahganj and a mobile van
Bombay	...	An export section in the Bombay Cottage and Small Scale Industries Sales Depot
Coorg	A small depot at Mercara for handloom goods.	...
Delhi	One emporium	...
Jammu & Kashmir	Emporium at Singapore	...
Kutch	One emporium	...
Madhya Bharat	District depots and a mobile van	...
Manipur	One provincial industrial cooperative association	...
Orissa	One emporium with affiliated cooperatives	...
PEPSU	One emporium at Patiala	...
Saurashtra	Emporia at five different centres	Revival of an old depot
Travancore-Cochin	One emporium with branches	...
Tripura	One emporium	...
UP	...	Depots a Calcutta and Bombay
Vindhya Pradesh	Emporia in all the eight districts	...

57. Besides government organisations there are a number of institutions under cooperative management and a few nonofficial nonprofit making bodies engaged in the marketing of handicrafts. They are, directly or indirectly, under government supervision and receive varying degrees of financial assistance from the government.

LIST OF COOPERATIVE AND OTHER MARKETING AGENCIES

State	Name of organisation and year of establishment	Abbreviated name hereafter	Location of depots
Assam	Assam Cooperative Cottage Industries Association ...	Assam (C)	Shillong
Bombay	Bombay Cottage & Small Scale Industries Sales Depot (1949)[1] ...	Bombay (C)	Bombay
Delhi	Central Cottage Industries Emporium (1952)[2] ...	CCIE	New Delhi
Kashmir	Kashmir Arts and Crafts Cooperative Society ..	Kashmir (C)	Srinagar
Travancore-Cochin	Central Cottage Industries Cooperative Society (1938) ...	Travancore (C)	Trivandrum
	Cochin Cottage Industries Cooperative Marketing Society ...	Cochin (C)	Trichur
West Bengal	Kalimpong Industrial Cooperative Society (1949) ...	Kalimpong (C)	Kalimpong
Madras	Victoria Technical Institute (1889) ...	Madras (VTI)	Madras
,,	The Madras Industries Association (1938)	Madras (B)	Madras
Mysore	Social Service Volunteers Association (1954) ...	Mysore (B)	Bangalore
Travancore-Cochin	Sri Mulam Sastiabdipurti Memorial Training Institute ...	T & C (B)	Trivandrum
West Bengal	Kalimpong Arts and Crafts (1915) ...	Kalimpong (B)	Kalimpong
,,	Bengal Home Industries (1917) ...	Calcutta (B)	Calcutta
,,	Vishvabharati (1922) ...	V. Bharti (B)	Bolepur and Calcutta

58. Their turnover has been incluned in the estimate of the total business of public marketing agencies given below.[3]

1 Date of transfer to the Industrial Cooperative Association.

2 Date of transfer to the Indian Cooperative Union.

3 The term public marketing is used in this report generally to denote marketing by government, cooperative and other nonofficial nonprofit making organisations.

The following statement shows the total sales of public marketing agencies during the last five years.

SALES OF PUBLIC EMPORIA

Name of emporium	No. of depots included	Sales (Rs. in lacs)				
		1949-50	1950-51	1951-52	1952-53	1953-54
Assam (G)	1	2.26	2.22	2.16	1.70	2.68
Assam (C)	1	0.46	0.25	0 33	n.a.[1]	n a.
Bihar (G)	1	2.44	4.86	2.84	3.05	n.a.
Bombay (C)	1	2.79	2.36	3.65	5 79	4.38
Bombay (G)	1	n.a.	n.a.	0.18	0.18	0.13
CCIE	1	1.03	1.93	2.56	8.27	12.90
Hyderabad (G)	2	n.a.	2.35	2.60	2.62	n.a.
Kashmir (G)	10	20.54	27.46	23.70	24.90	30.00
Kashmir (C)	1	n.a.	n.a.	0 39	0 78	n.a.
M B (G)	8	0.96	1,23	1.70	1.95	3.09
Madras (VTI)	1	3.17	3.94	4.94	5 00	n a.
Madras (B)	1	n.a.	0.21	0.64	n.a	n.a.
B'lore (G)	1	0.95	1.42	1.35	1.40	n a.
Mysore (G)	1	1.27	2.27	2.43	2.57	n.a.
Orissa (G)	7	8.20	9.10	5.54	5.30	n.a.
Punjab (G)	1	0.20	0.31	0.40	0.30	0.29
Rajasthan (G)	2	0.05	0.20	0.28	0.13	0.18
T & C (B)	1	0.25	n.a.	0.55	n.a.	n.a.
Cochin (C)	8	1.65	3.04	n.a.	n.a.	n.a.
U P (G)	7	4.97	20.54	11.13	9.14	8.69
Kalimpong (C)	1	0.02	0 27	0.34	0.23	0.25
Kalimpong (B)	1	n.a.	1.75	1.83	1.97	n.a.
W B (G)	1	n.a.	0.01	0.44	0.50	1.29
W B (B)	1	n a.	n.a.	1.51	1·63	2.28
V. Bharti	1	n.a.	n.a.	3.01	2.90	2.96
Total[2]		60.62	91.06	77.54	84.47	96.37

It would appear that the total turnover has steadily increased from Rs. 60.62 lacs in 1949-50 to Rs. 96.37 lacs in 1953-54 except for the slump year 1951-52 when it registered a decline of about Rs. 13.5 lacs over the previous year The annual average turnover is about Rs. 82 lacs.

59. The relative share of the emporia in Kashmir, New Delhi, UP, Orissa, Madras and Bombay is larger than those of other states. The first three account for about 53 per cent of the total sales of all emporia.

60. The proportion of the total handicraft trade handled by public marketing agencies is clearly very insignificant. Even if we assume the total handicraft output to be Rs. 31 crores (which is a gross underestimate as it covers only selected centres mainly those visited by the Survey Team) public marketing agencies seem to be handling not more than 2.6 per cent of it. If the sale of handloom fabrics, which constitutes a good portion of the total sales, is excluded, the proportion would be still less. [3]

1 Not available.

2 Where actual sales figure of an organisation is not available for a particular year the figure of the previous or the following year is included in the total.

3 Separate figures of the sales of textiles and artware are available only for some emporia. On an average, textiles account for about half of the total sales. On this assumption the proportion is reduced to only 1.3 per cent.

61. Another indication of the inadequacy of the public marketing effort and the relative disparities between different states may be found from an examination of the per capita turnover of public emporia in the cities where they are situated.

PER CAPITA SALES OF PUBLIC EMPORIA IN IMPORTANT CENTRES

Name of city	Name of organisation	Sales [1] Year	Sales [1] Amount (Rs. in lacs)	Population of the city as per 1951 Census Report (in lacs)	Sales per capita (Rs.)
Bombay	Bombay (G)	1953-54	4.20	28.4	
	Kashmir (G)[2]	1953-54	5.00		
	Total :		9.20		0 5 2
Baroda	Bombay (G)	1953-54	0.13	2.1	0 0 11
Delhi	CCIE	1953-54	10.00	11.9	
	Kashmir (G)	1953-54	5.50		
	Total :		15.50		1 4 10
Hyderabad	Hyderabad (G)	1953-54	2.62	10.8	0 3 10
Madras	Madras (VTI)	1952-33	5.00	14.1	
	Kashmir (G)	1952-53	1.25		
	Total :		6.25		0 7 1
Bangalore	Bangalore (G)	1952-53	1.40	7.8	
	Kashmir (G)	1952-53	0.70		
	Total :		2.10		0 4 2
Mysore	Mysore (G)	1952-53	2.57	2.4	1 1 0
Jaipur	Rajasthan (G)	1952-53	0.18	2.9	0 1 11
Lucknow	UP (G)	1953-54	2.41	4.4	
	Kashmir (G)	1953-54	1.00		
	Total :		3.41		0 12 2
Calcutta	W. B. (G)	1953-54	1.29	33.43[3]	
	W. B. (B)	1953-54	2.28		
	Kashmir (G)	1953-54	4.75		
	Total :		8.32		0 4 1

1 Excluding export sales.

2 Sales of the branches of the Kashmir Emporium have been included. Export sales have been excluded.

3 This includes Calcutta, Howrah, Tollyganj, Garden Reach, and South Suburbs.

62. Thus there is enormous scope for the expansion of public marketing. In the section on sales promotion[1] we suggest how it should be planned.

Name of emporium	Percentage of retail, wholesale and export sales to total sales						Remarks
	1952-53			1953-54			
	R[2]	W	E	R	W	E	
Assam (G)	...	...	...	...	...	...	Mostly retail
Assam (C)	...	...	..	...	...	...	—do—
Bihar (G)	64	...	36	...	...	...	Retail includes wholesale
Bombay (C)	58	40	2	82.5	13.5	4	
Bombay (G)	...	...	...	...	...	...	Mostly retail
Delhi (C)	49.5	30	20.5	58	19	23	
Hyderabad (G)	...	...	...	...	...	...	Mostly retail
Kashmir (G)	96	...	4	90	...	10	Retail includes small percentage of wholesale
M B (G)	...	...	...	...	...	...	Mostly retail
Madras (VTI)	98	...	2	...	...	...	
Madras (B)	...	...	...	...	...	...	All retail
Bangalore (G)	...	...	...	...	...	...	Mostly retail
Mysore (G)	...	...	...	...	...	...	—do—
Orissa (G)	59	...	42	...	...	...	Wholesale in Delhi, Calcutta, Bombay and six other places.
Punjab (G)	...	...	...	...	...	..	Mostly retail
Rajasthan (G)	...	...	...	...	...	...	—do—
Cochin (G)	...	...	...	...	...	...	—do—
T C (B)	...	...	...	...	...	...	—do—
UP (G)	77.4	...	22.6	73.9	...	26.1	
W. Bengal (G)	...	...	...	...	...	...	Mostly retail
W. Bengal (B)	...	...	...	69	19	12	Mostly retail
Kalimpong (B)	...	...	...	...	...	...	Mostly wholesale
Kalimpong (C)	39	61		24	76	...	Mostly wholesale

63. Most of the emporium trade as the previous table shows consists of retail sales in the places where emporia are located. The emporia in Bengal, Orissa. Bombay and New Delhi have some wholesale business ; and the Bombay, New Delhi, Kashmir, UP, Bengal, Bihar and Madras (VTI) emporia have developed small export sales as well.

64. The working of Government emporia in respect of their purchases, prices, margins, sales promotion activities and administrative set-up may now be discussed in some detail.

PURCHASE POLICY

65. Purchase policy has many aspects. What should be the sources of supply ? What should be the terms of purchases ? How should the volume of purchases be regulated ?

1 See p. 24 below.

2 R.—Retail.
W.—Wholesale.
E.—Export.

SOURCES OF SUPPLY

66. The problem of sources of supply involves important questions of principle. Since the prime purpose of public emporia is to shorten the chain of intermediaries and establish a direct marketing link, on a no-profit or low-profit basis, between the craftmen and the consumers, it is necessary that, in principle, they should make their purchases only from craftsmen working in their homes or their cooperatives or production centres run by the government. No purchases should be made from the very middlemen whom it is their avowed function to supersede. Otherwise they only become additional intermediaries ; the chain of middlemen is lengthened instead of being cut short ; the gap between production cost and retail price increases instead of being lowered : and no new benefit accrues to the artisans and consumers.

67. Some emporia, as in Bihar, Assam and Orissa, make almost all their purchases from cooperatives or government centres. But many draw substantial supplies from private dealers.

68. In PEPSU and Rajasthan the entire supply, and in Hyderabad[1] the bulk of the supply comes from dealers. In Kashmir, until recently, the emporium used to make most of its purchases from dealers, through purchasing agents, who were also dealers, and to whom a commission of 2½ percent was given.

69. In UP the proportion of purchases from private dealers was stated to be 10 percent. But this seems to be an underestimate. For, almost the entire cloth printing is done by one dealer in Farrukhabad and about six dealers in Lucknow ; and almost the entire supply of brassware is purchased from about five dealers in Moradabad. Many other articles are probably obtainad similarly. Suppliers are selected not on the basis of any open competition in respect of prices or quality, but on the basis of random patronage. It is natural that hundreds of other firms in production centres harbour grievances against the privileges enjoyed by the few supplying firms. Cloth for printing is supplied by UP Handicrafts, designs are supplied by UP Handicrafts and inspection is carried out by the Quality Control Office of the UP Government. The complaint is legitimately made that under these conditions any printing firm or cooperative would be able to offer equally satisfactory supplies. Further, it is strange that in some handicrafts little of the production of the government's own production centres is marketed through UP Handicrafts. Both the printing centre at Farrukhabad and the brassware centre at Moradabad dispose of their products through private traders.

70. The Central Cottage Industries Emporium has given us exact figures of its purchases from different sources.

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1 Under the current plan for the establishment of industrial cooperatives some handicraft cooperatives have been established ; and the Sale Depot has begun to give preference to them. Of these only the Bidri cooperatives are active. But these are really dealers' organisations rather than artisans' cooperatives, for few working artisans are members.

Purchases of the Central Cottage Industries Emporium from Different Sources

	From Government Agencies	From Cooperative Agencies	From Benevolent Agencies	From Private Agencies	Total
			Rs. lacs		
I. Purchases (including consignment goods) from Nov. 52 to April 53	2.67	0.19	0.43	2.50	5.79
	46.20%	3.30%	7.50%	43.00%	100.00%
II. Purchases (including consignment goods) from Nov. 53 to April 54	1.09	0.18	0.27	3.64	5.18
	21.03%	3 47%	5.20%	70.30%	100.00%

71. The proportion of purchases from dealers is obviously excessive; and it has been increasing. As in UP the suppliers are selected haphazardly and those who are denied the favour of selection harbour much resentment against the Emporium. The position is extremely unsatisfactory.

72. We have no doubt that if exact figures were available for other emporia, the position would be found to be no better.

73 The simple fact is that at present the policy of many emporia is not informed by any principles at all. The prevailing impression seems to be that all that is needed is that there should be government shops instead of private shops. It is not realised that if government shops continue to make their purchases from, and provide assured margins and markets to, private middlemen their whole raison d'etre disappears Instead of reforming the existing marketing system they become partners in its iniquity.

74 We recommend that all emporia should forth with adopt the policy of reducing their purchases from dealers until the cease altogether. If some small supplies are drawn, for special reasons, during the transition, from private dealers, they should be obtained impartially from the various production units, through open competition, subject to specified quality and price standards. But in no case should the emporia create or give the impression of creating monopolistic or specially favoured mercantile interests with the public money at their disposal. Their resources in designs, finance, stocking facilities, and market contacts should be placed at the disposal of artisans working at home, and their cooperatives. Where cooperatives do not exist, or are weak, these resources should be used to create or strengthen them. And the output of government's own production centres should, as a rule, be marketed through government's own marketing organisations, to the extent that it is not directly retailed in the producing centres themselves.

75. In so far as emporia cannot make their purchases directly from the artisans or their cooperatives, or government production centres, they should let the private marketing agencies operate without unfair competition. This implies that if the emporia receive enquiries which they cannot execute from supplies received directly from home-working artisans, cooperatives or government production centres, they should impartially pass them on to reliable private traders. Without assuming any financial responsibility, they may only make their inspection service available to see that the dealers, to whom orders are thus passed on, supply goods of the requisite quality. If, however, it is felt, especially in the case of foreign orders, that dealers might not make satisfactory supplies, the emporia may supply these on behalf of the dealers and charge only a nominal commission of one percent.

76. There is no justification for them merely to function as commission agents for supplying articles bought from dealers who might as well supply them directly. For this only means the addition of one more commission to the price and the consequent contraction of the market.

THE CONSIGNMENT SYSTEM

77. Closely associated with the practice of making purchases from the dealers is the system of consignment purchase. The following statement shows the relative share of consignment goods and purchased goods in the total sales of the emporia.

CONSIGNMENT SALES OF EMPORIA

Name of emporium		Percentage of Consignment and Purchased Goods to Total Sales						Remarks
		1951-52		1952-53		1953-54		
		Consignment	Purchased	Consignment	Purchased	Consignment	Purchased	
1		2	3	4	5	6	7	8
Assam	(G)	...	100	...	100	...	100	All purchases
Asaam	(C)	...	...	...	...	...	...	All consignment
Bihar	(G)	...	...	...	...	...	...	All purchases
Bombay	(C)	...	...	...	...	...	...	About 25% consignment
Bombay	(G)	...	...	...	...	...	...	About 66% consignment
CCIE		100	...	45.5	54.5	38	62	
Hyderabad	(G)	...	...	...	...	...	...	Mostly purchases
Kashmir	(G)	18	82	17.5	82.5	18	82	
Kashmir	(C)	...	...	...	...	...	...	Partly consignment
M. Bharat	(G)	...	...	...	...	...	..	All consignment
Madras (VTI)		36	64	36	64	...	...	

1		2	3	4	5	6	7	8
Madras	(B)	...	...	...	...	...	...	Mostly consignment
Bangalore	(G)	...	...	...	...	...	...	All consignment
Mysore	(G)	34	66	30.5	69.5	...	...	
Orissa	(G)	...	...	...	...	...	...	Mostly purchases
Punjab	(G)	...	...	...	...	...	...	All consignment
Rajasthan	(G)	...	...	...	...	...	...	Mostly consignment
T. C.	(B)	22	78	...	...	...	...	
UP	(G)	...	...	...	...	...	...	Mostly purchases
Kalimpong	(C)	...	...	...	...	...	...	Mostly purchases
Kalimpong	(B)	...	...	...	...	...	...	All purchases
W. Bengal	(G)	...	...	...	...	...	...	Mostly consignment
W. Bengal	(B)	...	...	...	...	...	...	Mostly purchases
V Bharati		...	...	...	...	...	...	All purchases

78. In Madhya Bharat, Madras, Mysore, Punjab, Rajasthan and West Bengal, almost all sales are made on a consignment basis. The Central Cottage Industries Emporium, New Delhi has steadily reduced the proportion of consignment sales from 100 percent in 1951-52 (when it was under direct government management) to 45.5 percent in 1952-53 and 38 percent in 1953-54. In Kashmir, the proportion of consignment sales is stated to be 18 percent and in Bombay about 25 percent. But in the case of Bombay the balance sheet of the Depot for 1953-54 suggests that it should be about 47 percent.

79. In the emporia in Assam, Bihar, Hyderabad and Orissa, and the non-official depots in Bengal almost all goods are purchased outright.

80. The system of consignment purchase is a carry-over from middlemen's marketing. Middlemen, as we stated in the previous chapter, have been making constant and increasing use of this system. It is the means whereby the burden of marketing finance and the risks of trade are passed on by the dealers to the artisans. It enables the dealers to evade their normal financial responsibility, as marketers, for purchasing and carrying stocks, bearing the risks of doing so, and bearing the interest and risks due to delay or default in payment from the buyers—importers, wholesalers and retailers. They do the selling, while the artisan does the "waiting" and the risk-taking; they carry the profit, while the artisan carries the financial burden and the risk of trade. The artisans, needless to say, are least able to bear it. For them, consignment purchase means acute privation, even starvation and debt. Living from hand to mouth, they cannot afford to wait for payment months after having manufactured and delivered goods to the dealers. Sometimes, the goods may even be returned to them after a long time with the plea that they were defective or

remained unsold. He has to cover the period of waiting by borrowing—to buy his daily bread and the materials of manufacture. Most often he borrows from the purchasing dealers themselves. What the dealers should give him as the due for his labour, is given to him as a loan. When payment is due to the artisans for the articles received from them the dealers have simply to adjust their value—depressed and discounted—against the continuous subsistence debt which increases as interest is regularly added.

81. It is true that the system of consignment purchase enables the emporia to stock a larger volume of goods than they would otherwise be able to do with the limited funds at their disposal, but we are emphatically of the opinion that the remedy for shortage of capital lies simply in finding more capital. It does not lie in the consignment system. The consignment system is a remedy worse than the disease ; it conceals it without doing any thing to alleviate it. The artisan has to continue to borrow for bread, as he had to do before, while the existence of public marketing agencies creates the illusion that his condition is being improved.

82. It would be far better for emporia to raise commercial loans to be able to make all their purchases outright than to compel the artisans to raise subsistence loans. If somewhere or other in the economy, borrowing must take place in order to finance the marketing of goods, it is obviously better that the public authorities do the borrowing rather than the artisan in distress.

83. It may be said that it is not the artisans but the dealers whose goods are kept on consignment ; and that, therefore, the artisans do not suffer privation. It is true that under the consignment system, dealers take more advantage of the emporia than the artisans ; but we have already concluded that purchases from dealers are objectionable in principle irrespective of whether they are made on a cash or consignment basis. Whether goods are purchased on a consignment basis from the dealer or the artisan, the burden falls invariably on the artisan. The dealer waits for payment from the emporia and makes the artisan wait still more.

84. The consignment system has another drawback. It enables the emporia managers to function almost as museum keepers, to keep goods on the responsibility of others, to sell them if they sell and return them if they do not. They do not need to exercise their judgment and decide whether or not the goods offered are suitable, in quality, design and price, for purchase and sale. If the goods kept on consignment are unsaleable and remain unsold, they need have no anxiety about them. The function which any sales manager must perform, of selecting and securing necessary improvements in the wares to be displayed, and ensuring their quick disposal and replacement, is rendered nearly superfluous by the consignment system.

85. The effect of the consignment system on the quality and prices of the goods purchased should also be noted. The quality of consignment goods is generally poorer, and their prices generally higher than those of purchased goods. The quality is poor for the consignors often send whatever they like without any reference to the needs of

the particular market ; and consignee emporia exercise no quality check because they carry no risk. The consignors fix higher prices in order to cover the period of waiting and the risk of damage or return.

86. As an illustration, we give below the prices of some articles quoted by the suppliers of the Central Cottage Industries Emporium for the same goods for consignment and outright purchase.

Commodity	Source of supply	Price quoted for outright purchase	Price quoted for consignment sale	Difference (percent)
		Rs. a. p.	Rs. a. p.	
Tanjore artware	Private firm	36 0 0	39 0 0	9.4
Silk scarf	Non-official association	6 12 0	7 0 6	7.2
Jewellery	Private firm	31 6 6	35 0 0	11.5
Printed fabric	-do-	3 0 0	3 8 0	16.6
-do-	-do-	8 8 6	9 3 0	7.6
Artbrassware	Govt. Agency	189 8 0	203 1 6	7.2
Pottery	Private firm	9 12 0	10 8 0	7.6

87. Thus the consignment system is helping to keep the quality of goods poorer and the prices higher than they would otherwise be.[1]

88. Moreover, the overhead expenditure on consignment stocks is proportionately higher than that on the sale of purchased goods, for, the former require a greater amount to storekeeping, book-keeping and correspondence. The Central Cottage Industries Emporium has estimated that it can save about Rs. 30,000 every year out of its total budget Rs. 1,64,400 (for 1954-55) if consignment sales were discontinued altogether.

89. On all these grounds, we recommend that the emporia adopt forthwith a policy of gradually reducing their consignment sales, until they cease altogether. They should, as a rule, make all their purchases outright. Only the first trial supply from a new source may be kept on consignment for a short time to gauge its marketability.

90. If public emporia continue the old practice of consignment purchase, the plight of artisans will remain unaltered. It is only when they begin to make outright purchases, and pay for them promptly, will artisans feel that there is a difference between private middlemen and the public marketing agencies, that these agencies exist for their benefit and not for their continued exploitation under different auspices.

1 These defects can be mitigated to some extent if the consignee emporia make it a policy, like the CCIE, not to keep any and all the goods sent by the consignors but only those which the emporia instruct them to the send ; and if they make payments promptly so that consignors do not raise prices to cover interest.

91. The provision of ample and cheap credit to the lakhs of small artisans may yet take a long time, but if, meanwhile, public marketing agencies begin to pay them outright against their supplies, it would be a great relief to them and help them to win a measure of independence from the dealer and the moneylender.

92. The system of outright purchases would also place greater responsibility on emporia managers for selecting what would sell. They would then develop a sensitiveness to the market which they are hardly called upon to have under the consignment system.

PAYMENT OF BILLS

93. Government agencies are known for late payment of bills even when they purchase goods outright. Payment for goods purchased outright often takes as much time as if they were kept on consignment. The effect on the artisan's economy is the same in both cases.

94. In a slightly different context, the Reserve Bank Committee on Finance for the Private Sector has referred to "the hardship caused to small industries by delay in payments by government and government agencies against goods supplied to them" and suggested "that the immobilisation of the liquid funds of small-scale industries can be prevented if governments open letters of credit in favour of suppliers stipulating payment on presentation of inspection notes by a duly authorised person of the indenting department."[1]

95. Where the value of purchases from individual suppliers is sufficiently large we suggest that the emporia evolve an analogous system for their purchases of handicraft goods. But usually the value of individual handicraft consignments is small at present. All that is required is that the normal process of inspection and payment should be simplified and expedited. No supplier should be left waiting for payment for a single day more than is absolutely necessary. Managers, accountants and cashiers should always bear in mind—and it might be a good idea to place placards on their tables reminding them—that "DELAYED PAYMENT MEANS STARVATION AND DEBT FOR THE ARTISANS".

TREATMENT OF ARTISANS

96. It was to be expected that the treatment of artisans by the public emporia would be better than that meted out to them by the dealers. Unfortunately, however, they often deal with them more impersonally and impolitely than the dealers. Concern and sympathy for the welfare of the artisan seems to be confined to government publicity. It is not reflected in the actual day-to-day behaviour of those who come into direct contact with the artisan.

97. We cannot urge too strongly that public emporia personnel should cultivate a sense of service and an attitude of respect for the artisans.

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1 Report, p. 81, 82

CONTACT WITH ARTISANS

98. In order to establish direct contact with the artisans public emporia need to have a proper apparatus. At present most emporia expect the artisans to come to their depots even when the depots are situated in distant cities. Most artisans can hardly afford to approach emporia in this way. This is one reason why both the emporia and the artisans have to depend upon middlemen who have their shops in the producing towns. These intermediaries cannot be by-passed unless the emporia have their own means of reaching the artisans.[1]

99. We suggest that the sales depots established in the district towns should also function as purchase depots on behalf of the main emporium of every state. They should receive goods, inspect them and make payments on behalf of, and according to the instructions of, the emporium. In order to cover areas from where substantial supplies are drawn but no such depots exist emporia should have their own field organisers to ensure production according to specified standards and timely deliveries.

100. The field staff of the Industries and Cooperative departments cannot render this service because they are supposed to look after all kinds of industries and all kinds of cooperatives spread over large areas. They have, moreover, numerous routine functions to perform and are bound by departmental discipline. The emporia, therefore, will have to have their own field organisers to supervise purchases from the artisans where they have no depots. But these field organisers should, of course, take whatever help the local officers of the Industries and Cooperative departments can give.

REGULATION OF THE RATE OF PURCHASES

101. The stock carrying policy of the emporia is of great importance from many points of view. Due to the peculiar organisation of handicraft production and the general paucity of finance, merchants carry very small stocks. Except in a few handicrafts, goods are manufactured only against orders. Demand being subject to seasonal variations, the artisans are usually underemployed or unemployed for about half of the year. This is one of the main causes of their indebtedness.

102. Failure to carry stocks also accounts for the fact that very often large orders received from overseas cannot be executed in the stipulated time periods because sufficient supplies of uniform quality are not available in bulk.

103. We recommend that public marketing agencies should make it their deliberate policy to purchase and stock sufficiently large quantities of staple handicraft products in anticipation of local sales as well as bulk orders from outside. Funds should especially be made available to them by the government for this purpose.

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1 Only the VTI Madras has tried to maintain effective direct contact with the supplying artisans through its travelling staff. The Central Cottage Industries Emporium has recently appointed a field organiser in Srinagar to supervise their large purchases from the Kashmir Arts Cooperative.

104. If emporium managements do take the responsibility and risk of purchasing outright and stocking handicraft goods in substantial quantity and variety, and regulate their purchases so as to maintain them at a steady figure all over the year, and especially in the slack seasons, it will give the artisans much-needed income stability in a very simple and natural way.[1] . It will free them from from the necessity of remaining unemployed or incurring debts or making distress sales in order to live through the dull season. It will also enable the trading agencies to make their purchases at reasonable prices all over the year. The quality of goods will be more easily maintained because orders will not have to be executed in a rush by ill-equipped small producers. They could be conveniently supplied from stocks.

SCRUTINY OF SUPPLIERS' COSTS

105. No emporium at present—unless it has its own production centres—examines closely the details of the cost of production of the suppliers. Without such an examination purchase prices cannot be rationally determined. We recommend that such examination should be regularly made. Subject to the overriding necessity of keeping prices at a competitive level, the aim should be to see that costs cover standardised minimum earnings for the homeworking artisans and regulated margins of profit for the cooperatives.

PRICES AND MARGINS

106. This brings us to the price policy of Government emporia.

107. In the case of handicrafts, price comparisons are extremely difficult because of the uniqueness of each individual article in respect of material, design and workmanship. We have nevertheless made a few comparisons of the prices of the same or similar articles quoted by different kinds of selling agencies in the same city.

RETAIL PRICES QUOTED BY DIFFERENT AGENCIES

Name of the selling organisation	Type of organisation	Retail price
1	2	3
		Rs. as. ps.
Inlaid panel village scene 36″ × 19″—Mysore		
1. Shri Chamrajendra Technical Institute	Government	400 0 0
2. Associated Arts	Private	280 0 0
Inlaid cigarette boxes 6″ × 4″—Mysore		
1. Shri Chamrajendra Technical Institute	Government	12 4 0
2. Associated Arts	Private	10 0 0
3. K. Kampea	Private	10 0 0

1 During the slump of 1951-51 the Textile Marketing Organisation, Orissa tried to keep up its handloom purchases and the weavers' wages, with good effect.

1	2	3
		Rs. as. ps.
Himroo Fabrics 45″ width—Aurangabad		
1. Hyderabad Government Sales Depot (Branch)	Government	14 10 0 per yd.
2. Himroo Factory	Private	12 0 0 ,,
3. Bashir Ahmed Qureshi	Private	12 0 0 ,,
4. Himroo Nawabpura Cooperative Society	Cooperative	10 0 0 ,,
5. Abdulla & Bros.	Private	11 8 0 ,,
Walnut nest of tables (set of 4) 24″×13″—Srinagar		
1. Kashmir Wood Carving Cooperative Society	Cooperative	30 8 0
2. Kashmir Government Arts Emporium	Government	38 15 0
3. Cockburns Agency	Private	36 0 0
Brassware Cigarette Boxes 6″—Jaipur		
1. P. M. Allabux & Sons	Private	15 0 0
2. Thaharayamal Walchand	Private	9 0 0
3. Central Marketing Organisation	Government	20 0 0
Ivory Chessmen Set 3″ Carved figures—Jaipur		
1. Thaharayamal Walchand	Private	120 0 0
2. Chouthimal Cholilal	Private	110 0 0
3. Central Marketing Organisation	Government	150 0 0
Blue Khes Double Sided—New Delhi		
1. Punjab Govt. Sales Depot	Governmant	19 0 0
2. Central Cottage Industries Emporium	Cooperative	15 10 0
Cuttack Cloth for Blouses—Delhi		
1. Central Cottage Industries Emporium	Cooperative	4 11 0
2. Guptajee	Private	4 7 0
Beer Mug Silver Inlay—Delhi		
1. Central Cottage Industries Emporium	Cooperative	7 9 6
2. Kashmir Govt. Emporium	Government	12 0 0
Luncheon Mat woven with Design—Delhi		
1. Central Cottage Industries Emporium	Cooperative	1 12 0
2. Pandit Bros.	Private	1 10 0
Real Zari Hand Bags—Delhi		
1. Ivory Palace	Private	40 0 0
2. Ivory Mart	Private	40 0 0
3. Central Cottage Industries Emporium	Cooperative	37 13 0

1	2	3
		Rs. as. ps.
Ivory Chessmen Set "Ram-Ravan" Figures—Delhi		
1. Central Cottage Industries Empoaium	Cooperative	152 0 0
2. Rajasthan Govt. Emporium	Government	172 3 0
3. Krishna & Sons	Private	225 0 0
Orissa Sari pure silk 6 yds.—Delhi		
1. Guptajee	Private	130 0 0
2. Central Cottage Industries Emporium	Cooperative	114 0 0
Silk red and blue—Delhi		
1. Central Cottage Industries Emporium	Cooperative	37 0 0
2. Rajasthan Govt. Emporium	Government	35 0 0

108. It would appear from the statement that in the case of most handicraft goods the level of prices is usually higher in government emporia than in private shops and cooperatives. This is a fact of far-reaching significance, for, it weakens considerably the case for government marketing from the consumers' point of view.

109. So far as the high level of production costs is responsible for the high level of prices, it affects all marketing agencies more or less equally for all of them draw most of their supplies from units working in similar conditions. The number of price disparities between different kinds of agencies can, therefore, be explained only in terms of the relative levels of their margins and overhead costs.

110. The information available from official sources about profit margins or commissions or mark-ups (we will call them margins) of public emporia on different kinds of sales is summarised in the following statements.

MARGINS OF GOVERNMENT EMPORIA

Name of Emporium		Retail Margins (percent) General	Commission received on consignment sales	Mark-up on purchased goods	Wholesale margins (percent)	Remarks
Assam	(G)	...	...	6¼ to 12½	...	Since 1952. Previously 12½%.
Assam	(C)	12½	...	...	...	Estimated from their balance sheet.
Bhopal	(G)	...	6¼	12½	...	
Bihar	(G)	...	...	23¾	9-3/8	
Bombay	(C)	...	6¼ to 12½	6¼ to 18¾	2 to 6¼	
CCIE	(G)	...	6¼ to 12½	12½ to 25	3-1/8 to12½	12½ percent on export

Name of Emporium	General	Commission received on consignment sales	Mark-up on purchased goods	Wholesale margins (percent)	Remarks
	Retail Margins (percent)				
Hyderabad (G)	12½	...	...	6¼	Sales above Rs. 1000/- to dealers considered wholesale.
Kashmir (G)	...	12½	21½	12½	
Kashmir (C)	...	...	12½	6¼	Induscos' prime cost plus 12½% plus 6¼% for wholesale and 12½% for retail. Non-members suppliers' price plus 9-3/8%.
M. Bharat (G)	...	6¼ to 12½	...	...	
Madras (VTI)	12½	...	...	...	6¼% for Govt. and coop supplies ; 12½% for others.
Bangalore (G)	...	6¼ to 25	...	...	6¼% for Govt. 25% for private consignors.
Mysore (G)	...	18¾	19¾	...	
Orissa (G)	6¼	...	12½	6¼	
Punjab (G)	...	6¼ to 25	...	...	
Rajasthan (G)	...	6¼ to 12½	...	...	
Cochin (C)	...	...	12½	...	
Kalimpong (C)	25½	...	...	...	
W. Bengal (G)	10 to 15	...	...	...	6¼% on cotton textiles and 12½ % silk goods.
Calcutta (B)	12½ to 25	...	...	...	6¼% in special cases like refugee centres or individual artisans.
M. Pradesh (G)	...	...	6½	...	
PEPSU (G)	No fixed rate	...	...	...	
UP (G)	12½ to 33-1/3	...	...	12½	

111. A comparison of the margins earned by the government agencies with those of private agencies would show that the former are not lower than the latter.

Margins in Private Agencies[1]

Commodity		Wholesale margins	Retail margins
Banaras Brocade Saris	...	11.11	25.0
Ivory Chess Set—3″ Jaipur	...	22.22	38.18
Farrukhabad prints—37 yds. ×2 yds.	...	15.6	16.6
Himroo	...	33.3	37.5
Bidri vase	...	43.5	14.6
Sandalwood box 5½″×3½″×2″	...	32.5	13.3
13″ papier mache toy set	...	12.5	33.3
Brassware	...	10.0	9.09
Ladies' leather handbag (art leather) Calcutta	...	14.4	28.4
Ladies' real zari evening bag	...	20.0	33.3
Ladies' crocodile leather bag	...	14.2	25.0

1 These figures are based on data about costs and margins collected by the Survey Team.

112. Retail margins of government agencies range from $12\frac{1}{2}$ percent to 33·3 percent and those of private agencies from 9 percent to 38 percent.[1, 2]

113. It will appear that government emporia are not rendering a cheaper marketing service nor replacing middlemen in any significant sense of the term if the following points are kept in view :

(a) the profit margins of government agencies are rigidly fixed while private agencies have to cut them whenever there is keen competition or a general depression,

(b) private agencies have to meet their losses out of their profits while government agencies can often write them off against government assistance, and

(c) many government emporia receive separate grants for meeting their establishment expenditure while private agencies have to meet it entirely out of their earnings.

114. Inspite of their favoured position, the emporia have been making losses, or very nominal profits as the following statement shows :

Name of emporium		The latest year for which data is available	Total Sales (Rs. in lacs)	Percentage of profit or (+) or loss (—) to sales
Assam (C)	...	1951-52	0.33	(—) 39 0
Bombay (C)	...	1953-54	4.38	(—) 3.0
CCIE (C)	...	1952-53	8.27	(+) 0.1
Hyderabad (G)	...	1951-52	2.60	(—) 6.0
Kashmir (G)	...	1953-54	30.00	(+) 2.5
M. Bharat (G)	...	1952-53	1.95	(—) 16.0
Madras (VTI)	...	1951-52	0 64	(+) 1.5
Bangalore (G)	...	1952-53	1.40	(+) 0.09
Orissa (G)	...	1952-53	5.30	(+) 2.50
Kalimpong (B)	...	1952-53	1.97	(+) 4.00
UP (G)	...	1953-54	8.70	(—) 18.60

1 Owing to the pressure of the increasing trading population keen competition has been developing in every line so that the maximum margins are really earned only by the few big dealers in every handicraft town. Large numbers of small shopkeepers are in fact earning only the minimum margins.

2 The following figures show the wholesale and retail margins earned by dealers in Great Britain in similar industries.

Commodity		Wholesalers' Margin (percent)
Cutlery	...	12 to 14
Carpet	...	14 to 16
Furnishing Fabrics	...	16 to 18
Furniture and toys	...	20 to 22
Jewellery	...	22 to 24
Pottery	...	24 to 26

Commodity		Retailers' Margin (percent)
Pottery	...	31
Furnishing fabrics	...	32.5
Furniture	...	36
Jewellery	...	42.5

115. If they were to meet all their costs and losses out of their own sales proceeds, their prices and profit margins would have to be much higher than they are for their budgets to be balanced. In that case, from the commercial point of view a comparison between them and private agencies would be still more unfavourable to them.

116. When government marketing agencies function with high margins inspite of government subsidies and yet register losses the criticism of private businessmen on this score loses all validity. Instead of setting an example for private traders by providing an efficient marketing service at austere margins, they become targets of legitimate criticism by the private trade for being their unfair competitors subsidised by the government.

117. In the case of enterprises engaged in *production* in new fields losses are understandable ; but in purely marketing enterprises in established lines it is difficult to justify them.

118. Were it true that the prices and profit margins of the emporia are higher but they have created large new markets or paid the artisans higher wages or served the consumers better, their prices and magins could be reasonably explained. But that, as the evidence summarised in the relevant sections shows, is not true. The artisans are nowhere getting a fairer deal and the consumers cheaper goods. Except in one or two places the emporia have been selling more or less the same goods in more or less the same markets as before. They have so far developed very little interstate trade lines in which none existed before, and very small exports.

119. Three important factors explain why the prices and margins of government emporia are high and yet losses are registered by them.

120. First, to the extent that goods are purchased through the very same middlemen whom they are supposed to eliminate, the goods already come to them with their prices burdened with middlemen's margins. The emporia only add their own margins to them.

121. Secondly, as we have seen, the system of consignment purchase is keeping prices high.

122. Thirdly,—and this is an important factor—the overhead expenses of government emporia are very high in relation to their turnover. There is no urge to economise them. Establishment is easily expanded without any consideration of the ratio of establishment costs to the probable or actual turnover. This is facilitated by the knowledge that either the establishment expenditure will be met from special grants from the government or, if there are deficits, they will be subsidised. No private concern could increase its establishment with such facility.

123. Thus the establishment of government emporia seems to have brought about just a nominal shift of the same business from one set of shops to another but no appreciable change in the principles or cost of marketing. The only difference is that the surplus value extracted from the artisans (and consumers) which previously went to the dealers as 'profit' now goes to officers, clerks and salesmen in the form of 'salaries'.

124. At the 3rd Marketing Conference held at Puri in January 1955, the All India Handicrafts Board decided that "the percentage ot gross earnings to turnover in respect of goods purchased outright should not exceeds 18¾ percent for any emporium". In view of past practice as well as the level of selling costs now-a-days this percentage is not excessive. But it is clear that the margins of public marketing agencies are not on the whole very much less than those of private dealers and that the fixation of margin maxima has little value if overhead expenses increase disproportionately, and the resulting deficits have to be regularly subsidised. If management is economical it should be possible for the emporia to earn substantial profits in normal conditions. We suggest that a part of the profits of every emporium should be credited to an Artisans' Bonus Fund out of which bonus is paid to supplying artisans or their co-operatives in proportion to the value of the purchases made from them during the year.

OVERHEAD EXPENSES

125. We have tried to analyse the overhead expenses of government emporia in some detail. The available date is given in the following statement:

EXPENSES OF PUBLIC EMPORIA

Name of exporium	Latest year for which data is available	Total sales[1] Rs. lacs	Total expenses Rs. lacs	Percentage of 4 to 3	Percentage of expenses on salaries to sales	Percentage of expenses on salaries and rent to sales
1	2	3	4	5	6	7
Assam (G)	51-52	2.16	0.28	13.3	4.1	n.a.[2]
Assam (C)	51-52	0.33	0.23	69.6	33.3	48.7
Bihar (G)	51-52	2.80	n a.	n a.	19.2	19.6
Bombay (C)	53-54	4.38	0.70	16.0	7.7	n.a.
CCIE	53-54	12.90	1.80	13.9	8.5	n.a.
Hyderabad (G)	52-53	2.62	0.48	18.0	11.8	n.a.
Kashmir (G)	52-53	24.90	5.43	21.5	9.1	14.1
M. B. (G)	53 54	3.09	0.69	22.3	n.a.	n.a.
Madras VTI	52-53	5,00	0.75	15.0	11.0	n.a.
Madras (B)	51-52	0.64	0.17	26.5	17.0	n.a.
Bangalore (G)	52-53	1.40	0.19	13.5	7.1	10.5
Orissa (G)	52-53	30	0.50	9.4	n.a.	n.a.
Rajasthan (G)	52-53	0.13	0.30	230.8	169.2	192.2
Kalimpong (B)	52-53	1.97	0.35	17.7	12.0	n.a.
UP (G)	53-54	8.70	3.03	34.8	20.9	22.7

1 Sales include export sales but expenditure excludes expenditure on the export section which is met out of a separate grant from the government.

2 Not available.

126. It would appear that the ratio of total expenditure to turnover exceeds the normal margin ($12\frac{1}{2}$ percent) in the case of all government emporia except in Orissa. Expenditure on salaries alone is excessive in Bombay (7.7 percent), Delhi (8.5 percent), Kashmir (9.1 percent), Madras-VTI (11 percent), Madras Industries Association (17 percent), Bihar (19.2 percent), UP (20 percent) and Rajasthan (169.2 percent).

127. No emporium seems to keep its overheads within permissible margins. It is plainly useless to fix margin maxima if they do not induce corresponding economies.

128. It is true that in the case of new emporia, before sales have reached certain optima, high percentages of total expenditure to total turnover do not in themselves constitute a proof of excessive overheads : as sales increase they might fall[1]. But it is to be noticed that most of the emporia whose expenditure percentages are excessive are several years old.

129. We think that from the second or the third year of its establishment an emporium should be able at least to equate its expenditure to its gross surplus : otherwise its expenditure should be cut down or it should be transferred to a more enterprising management or be closed altogether. Managers should know that if sales are not vigorously promoted by them so as to bring down the proportionate incidence of overhead costs to the level of the permissible margins any of these three things might be done. There is no ground for incurring regular establishment deficits while sales stagnate at a low figure. In marketing, at least, government enterprise should justify itself in strictly commercial terms.

EXPENSES ON BRANCHES

130. The above applies as much to the branch depots as to the main emporia. We may cite a few selected cases of excessive expenditure. In the Sangli depot in Bombay the ratio of overhead expenditure to sales was twentyeight percent in 1953-54 ; in the Kolhapur depot it was seventyfive percent. But the most striking figures of branch overheads are those relating to the branch depots of Kashmir, UP and Madhya Bharat.

131. The following statement shows the ratio of total expenditure to sales, and the ratio of salaries and rent to sales for each of the Kashmir Emporium branches.

EXPENDITURE ON BRANCHES OF THE KASHMIR EMPORIUM

Branch Depot	Percentage of total expenditure to sales	Percentage of expenditure on salaries and rent to sales
	1953-54	
Madras	40	23.5
Lucknow	30	18
Culcutta	27	16
Simla	25.5	15.5
Bangalore	25	15
Bombay	14	8.5
Amritsar	16.5	10
Delhi	14	8
Srinagar	14	8.5
Jammu	16	10

1 This is true, for example, of the Kashmir and the New Delhi emporia.

It will be seen that the expenditure ratio is nowhere less than fourteen percent. In some branches it is as high as thirty to forty percent.

132. The following statement shows the ratio of expenditure on salaries and rent to the sales of the branch depots UP Handicrafts:

EXPENDITURE ON THE BRANCH DEPOTS OF UP HANDICRAFTS

Branch Depot	Percentage of expenditure on salaries and rent to sales-1953-54
Lucknow-Hazratgunj	10.35
Lucknow-Aminabad	16.07
Lucknow-Station trolley	22.81
Allahabad	22.01
Dehra Dun	29.29
Agra	32.90
Meerut	32.64
Nainital	61.86

133. It would be seen that barring the main depot in Lucknow, the expenditure on the branch depots ranges from sixteen to sixtytwo percent.

134. In the case of Madhya Bharat, again, the expenditure ratio exceeds 12½ percent and rises upto 82 percent in depots other than the main depot at Indore.

EXPENDITURE ON MADHYA BHARAT DEPOTS

Depot	Percentage Ratio of expenditure to sales
Indore	9.8
Ujjain	12.6
Mhow	16.5
Khargaon	17.4
Bholsa	20.1
Ratlam	23.8
Gwalior	82.3

135. It remains to be seen whether sales in the branches have any prospect of increasing so much in the near future, without much increase in expenditure, that the ratio might fall to a reasonable ten to twelve percent.[1]

136. The lesson that emerges is that branches should be opened only where sales are reasonably estimated to be sufficiently large to cover expenses, within two or three years. And the progress of the existing branches should be constantly and critically reviewed from the financial point of view. Where the opening or maintenance of separate branches is clearly anticipated or proved by trial to be uneconomical, efforts should be made to utilise the services of government or other semi-official or cooperative units already working in these places.

SALES PROMOTION

137. General measures to promote sales may now be discussed. Sales expansion requires (a) an increase in the number of sales depots and (b) an improvement in the quality of the sales service.

138. The basic principle of sales promotion ought to be that the nature of the sales service is adapted to the diverse needs of different places and classes of customers. Handicraft buyers are not a homogeneous mass. They include remnants and descendants of the old princely and landed aristocracy, the new industrial and commercial bourgeoisie, the ministerial and legislative classes, military officers, civil servants, the urban and the mofussil middleclass, resident foreigners, tourists and pilgrims. Therefore the size and the location of every depot, the selection, display and the price range of the goods, should be rationally related to the class or classes of consumers which it expects to serve.

139. For general coverage we suggest the following plan. In the first three-year phase, 1955-56 to 1957-58, all major cities (with a population of five lacs or more) all class I towns (with a population of one to five lacs) and all class II towns (with a population of 50,000 to 100,000) should be covered. Thus the total number of depots required in towns not already covered would be 148 (according to the Census of 1951) spread over different states as follows :

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1 In the case of five branches of the Kashmir Emporium viz. Madras, Lucknow, Calcutta, Simla and Bangalore, we can visualise little prospects of this happening. In these places Kashmir goods have a modest market which can easily be served without expensive independent depots.

NUMBER OF SALE DEPOTS EXISTING AND REQUIRED IN CITIES & TOWNS

State	Major Cities			I Class Towns			II Class Towns		
	Number	Number now covered by public emporia	Number to be covered	Number	Number now covered by public emporia	Number to be covered	Number	Number now covered by public emporia	Number to be covered.
Ajmer	…	…	…	1	…	1	1	…	1
Assam	…	…	…	…	…	…	1	1	…
Bhopal	…	…	…	1	1	…	…	…	…
Bihar	…	…	…	5	1	4	6	…	6
Bombay	3	1	2	5	3	2	17	3	14
Delhi	1	1	…	1	…	1	2	…	2
Hyderabad	1	1	…	1	…	1	2	…	2
M. Bharat	…	…	…	3	3	…	1	1	…
M. Pradesh	…	…	…	3	3	…	1	1	…
Madra	1	1	…	12	1	11	20	…	20
Mysore	1	1	…	2	…	2	1	…	1
Orissa	…	…	…	1	1	…	1	…	1
PEPSU	…	…	…	…	…	…	1	…	1
Punjab	…	…	…	3	…	3	7	…	7
Rajasthan	…	…	…	3	2	1	3	…	3
Saurashtra	…	…	…	3	1	2	2	…	2
T. & C.	…	…	…	2	1	1	5	…	5
UP	2	1	1	12	4	8	15	…	15
W. Bengal	1	1	…	6	…	6	14	…	14
Total :	10	7	3	64	21	43	110	8	102

Note : (1) Population figures for Kashmir do not appear in the 1951 Census Report. Jammu and Srinagar, the two important towns in the State are already covered.

(2) There are no class I or II towns in Kutch, Tripura, V. Pradesh and Chandernagar. The first three of these have plans to open sales emporia in their capitals. An emporim may be opened in Chandernagar.

The above statement shows the number of depots required if every town is served by at least one depot. If, however, more than one depot needs to be established in a town the number of depots would correspondingly increase. In the major cities, in addition to the main emporium, there should be at least one depot in the main city bazar where the lower middle class make their purchases.

140. In the second three-year period an attempt might be made to cover the 375 class III towns (with a population of 20,000 to 50,000). Thus by the end of the Second Five Year Plan all towns would have been covered. The establishment of village depots must be considered subsequently.

141. In the major cities there should be big, well-furnished showrooms; but in other places there might be small stores.

142. It is not suggested that in every single town an independent government depot should be established. Where possible an effort should be made to arrange that existing government or other semi-official or cooperative units in the towns not already covered, may start selling handicrafts in addition to their present activities. Coordination with the marketing set up of the All India Handloom Fabrics Co-operative Society recently set up by the All India Handloom Board, the All India Khadi and Village Industries Board and consumers' cooperatives is especially necessary. The All India Handloom Fabrics Cooperative Society is going to include almost all government and cooperative handloom depots in the country. The All India Khadi and Village Industries Board has taken over from the All India Spinners' Association about 163 depots and agencies all over the country. Thus coordination with these bodies will be an easy means of extending the organised marketing network for handicrafts without much delay and additional expenditure.

143. Some emporia, UP Handicrafts for example, have given agencies to private traders for the sale of their goods in places where they do not have their own branches. In principle this is open to the same objections to which purchases from dealers are subject : the chain of middlemen is not shortened.

144. But in exceptional cases where no organised marketing units whatever are in existence and yet some sales can be made a few agencies might be given to small shopkeepers on small commissions.

145. We recommend to all emporia the UP Handicrafts' practice of running a mobile van for reaching markets not covered otherwise, especially village markets.

146. In connection with village sales it is necessary to point out that if the masses are to be pursuaded to patronise handicrafts, and we do not see how else handicrafts can have a broad demand base in the long run, a systematic redesigning effort, and a shift of emphasis in the whole organisation of government marketing would be necessary. At present handicrafts marketing organisations can cater mainly, if not exclusively, to the rich and the upper middle classes because, for historical reasons, the price-range of most handicraft goods is beyond the reach of the masses. That is why we have suggested that in the first phase of development only cities and towns should be covered. But in the long run emporia must reach the masses. On the one hand their income and purchasing power should be expected to increase ; on the other hand handicraft prices must be lowered through cheap material supply, technical improvement and, above all, the imaginative designing of cheap, useful as well as beautiful goods which the villagers can buy. When these developments have taken place the

marketing structure required to serve the rural people will have to be different from what it is many respects. It will have to be manned not by the urban intelligentsia but trained villagers who understand what the villagers want and can sell it in a manner convenient to the villagers. So far the government marketing movement is an urban movement run by and for the upper middle classes in the cities. A rural marketing movement run by and for the villagers has still to grow.

147. Meanwhile the village markets should continue to be reached as far as possible through town depots, cooperative stores and mobile vans.

148. The mobile vans must invariably appear at village fairs and festivals of which thousands are held every year all over the country.

149. We suggest further that there should be handicraft stalls in all important cantonment towns, for military officers ; in hill stations ; for holiday makers ; in places of pilgrimage, for pilgrims ; and in historical sites and tourist resorts, for tourists, if these are not covered by the general plan[1].

150. The All India Handicrafts Board should persuade the Ministry of Transport to include one or more handicraft stores in every tourist site which they develop under their new plans.

151. Showcases should be kept at all important railway stations and aerodromes. UP's experiment of maintaining a trolley at the Lucknow Station may be cited in this connection.

SHOWROOMS AND DISPLAY

152. In the words of an ECAFE report, government depots often "look like museums rather than commercial shops". This would be a fair description of many government depots in this country. The museum atmosphere is a legacy of the past when the government regarded itself responsible only for the maintenance of handicraft museums. But now that the government has undertaken actual trading its depots should have a more businesslike look.

153. Some emporia e.g. those in Bihar, Indore and Madras (VTI) have very small showrooms. Others, whose showrooms are reasonably large, have a very poor display as in Hyderabad and Bangalore.

154. In many places, however, display is attractive irrespective of the size of the showroom, as in New Delhi, Bombay, Lucknow, the Chamrajendra Technical Institute, Mysore, Victoria Technical Institute, Madras, and the Bengal Home Industries Depot, Calcutta. Some of these emporia have spent much money in furnishing, lighting and other fixtures.

1 The Aurangabad branch depot in Hyderabad should preferably have been located near the railway station or the aerodrome or the tourist hotels or the Ajanta and Ellora sites, rather than in the bazar where sales are very poor. The branch salesman, it seems, does not even have the freedom to take out samples from the depot for personal canvassing.

In the big cities this is perhaps inevitable in order to attract the city bourgeoisie and foreigners. But it should be born in mind that a glamorous display at the same time repels the men of small means, the middle class who carry the notion that "the big shops are meant for big people only" and prefer to do their buying from the small shops. In Delhi for example, random enquiries in some middle class households revealed that those who know of the existence of the Central Cottage Industries Emporium have the impression that it keeps only very costly goods meant for the rich. This has a very deterrent effect and restricts the customers of the Emporium to a small class.

155. In so far as prices are really high every effort should be made to lower them. In the big cities, in addition to the major showroom, there should be one or more smaller stores in the traditional bazars where the middle classes do their shopping. In all showrooms, articles which are within the low and medium price range should be separately and conspicuously displayed with sign boards to that effect. In the smaller stores the bulk of the stock should consist or articles in these ranges. And in publicity material these items (with their prices) should be given prominence.

156 The following statement shows that a very large number of useful handicraft articles in which middle classes can be interested belong to the low and medium price groups. If special display and publicity is arranged for them the prevailing impression that all handicraft articles are expensive and exclusively meant for the rich can be corrected and their market extended to the middle income groups.

HANDICRAFT ARTICLES IN LOW & MEDIUM PRICE RANGES

Item	Low price below Rs. 5	Medium price		High price Rs. 20 and above
		from Rs. 5 to Rs. 10	from Rs. 10 to Rs. 20	
METAL				
Brass	Cigarette boxes, vases, nut dishes, finger bowls, candlesticks, tumblers, bells, rose bowls, dishes, powder boxes, decanters, coasters.	Smoking sets, candlesticks, bells, dishes vases, rose bowls, decanters	Plates, trays, vases, dishes, bowls, decanters	Coffee table tops, trays, vases, oil-lamps, figures, decanters
Copper	Finger bowls, tumblers	Vases, bowls, trays	Vases, bowls, trays, buckets	Plates, table-tops, vases, surais, dishes
Tanjore-ware		Plates	Plates	Plates, cigarette boxes, mugs, bowls, vases
Bidri	Paperknives, earrings, brooches, bangles, cufflinks.	Ash trays, paper weights	Trays and ash trays	Cigarette and powder boxes, hookah bases, lamps, flagons, bowls

Item	Low price below Rs. 5	Medium price		High price Rs. 20 and above
		from Rs. 5 to 10	from Rs. 10 to 20	
Coin-work	Boxes, spoons	...	...	...
Jewellery	Necklaces, bracelets, hairpins, rings, ear-rings, brooches, filigree work, cuff-links, silverspoons.	Necklaces, bracelets, hairpins, ear-rings, brooches including armlets and bracelets	Same as in low price including sindoor boxes	Necklaces, bracelets, caskets and bowls
EARTH				
Pottery	Pots, plates, vases, ashtrays, tumblers	Vases	...	Teaset (Rs. 27)
Black Pottery and Blue	Plates, cups, saucers, quarterplates, finger bowls, vases ashtrays, cigarette boxes, pattlies.	Taj Mahals, trays, boxes	Lamps, Taj Mahals, powder boxes	Taj Mahals
Jade & Turquoise	Ear-rings, and rings, bangles, brooches	Bracelets	Necklaces	...
WOOD & OTHER CARVING				
Sandalwood	Fans, paper knives, cufflinks, combs, rosary, animals	Batons	Boxes, walking sticks	Figures, walking sticks
Redwood	Figures	Figures	Elephants	Lamps, elephants, tables
Stylized wood carvings	...	...	Bookends, figures	Lamps, figures, vases
Nirmal	Bowls, coasters	Finger bowls, plates with stands, boxes, cruet sets, cigarette boxes	Shoe heels, plates, boxes, trays	Salad & fruit bowls, plates, lamps, coffee sets, wall pictures
Walnut	Boxes, lamps, Bambis, bowls, salad servers	Boxes, lamps, tables, shikaras, bookends, letter racks, trays	Carving sets, tables, trays, lamps, boxes	Carving sets, tables, boxes
Ivory	Paper knives, bookmarks, cigarette holders, animals, small figures, ear-rings, brooches, inlaid boxes, combs	Figures, animals, necklaces, inlaid boxes, combs	Figures, cigarette cases, inlaid boxes, wall plaques, tea & coffee trays	Figures of Gods & Goddesses, the Buddha, elephants, jewellery, boxes, lamps, wall plaques, tea and coffee trays
Horn	Birds, ashtrays, elephants, paper weights	Birds, ashtrays	...	...
Puri	Painted wooden Jagannaths	Ashtrays, flowers	Lamps, ashtrays	Lamps
CANE ETC.				
Cane Furniture	...	Foot-rests	Chairs, pegtables, bookshelves	Tables, chairs, sofa sets
Grass	Tablemats, place mats	Mats (floor and wall)	Mats	Mats, bags

Item	Low price below Rs. 5	Medium price From Rs. 5 to 10	Medium price from Rs. 10 to 20	High price Rs. 20 & above.
Basket-ware	Baby chairs, waste-paper baskets round mats, handbags	...	...	...
Screw-pine	Belts	Bags, hats	Teacosies	Tablemat sets
Cane-Kashmir Willow	Handbags, trays, baskets	Handbags, baskets	Baskets	Baskets
LEATHER				
Shoes	...	Bombay chappals Rajasthan and Hyderabad jooties (shoes)	As in previous column	As in previous column
Shantiniketan	Bags, pincushions, wallets	Mudas, cushion covers, bags	...	Mudas
Reptile skin	...	Wallets, cigarette cases, photo frames	...	Handbags
Calf & Kid	...	...	Handbags	Handbags
ARTWORK & DOLLS				
Artwork	Greetings cards, Puri *pat* painting, coasters	Bookends, letter racks, wall hangings using Puri *pat*	Bookends, paintings, Indian playing cards	Puri paintings
Cloth dolls	Cloth dolls from Poona, Bengal and Bombay, wooden dolls (Manipur & Bihar) rag dolls from Gwalior.	Cloth dolls (Poona and Bombay)	...	...
Kondapalli Toys	Birds, animals & figures	...	Elephants	...
Educational Toys	Available in this range	Available in this range.	Available in this range.	...
Wooden toys	Animals, birds, doll's houses, furniture.	...	...	...
MISCELLANEOUS				
	Indian perfumes, agarbattis, honey, coconut boxes, papier-mache, powder boxes, hairpin boxes, ashtrays	Papier-mache, letter racks, boxes, flowervases, wall plaques	Boxes, lamps, wall plaques, vases.	Lamp, boxes, vases wall plaques, finger bowls.

Item	Low price below Rs. 5	Medium price		High price Rs. 20 & above
		From Rs. 5 to 10	from Rs. 10 to 20	
TEXTILES				
Cotton	Tablecloths, table mats, bedspreads, Naga shawls, tray covers, curtains	Tablecloths & mats, bedspreads Naga shawls, & cushions, curtains, embroidered goods including baby frocks & skirts.	Bedspreads Naga shawls, Manipur khes, embroidered bedspreads, mirror work skirts.	Bedspreads, curtains, khes, embroidered bedspreads, and luncheon sets.
Saris & Scarves	Printed cotton scarves, Chanderi scarves, Bengal printed scarves	Bangalore saris, H'loom saris, printed cotton saris	Chanderi, Bangalore, H'bad saris, printed Cotton saris	Same as in previous columm
Running material (per yd)	Farrukhabad, Kalimpong, Bombay and Rajasthan hand-blocked H'bad, B'bay, Bihar, Orissa handloom	Cotton prints, from B'bay, Kalimpong, furnishing material from Bihar & H'bad, Himroo from H'bad	Himroo from Hyderabad	Himroo
SILK	...			
Saris & scarves	Printed H'chiefs, from Bengal and Bombay, printed scarves from Farrukhabad & Bengal, Banaras Scarves.	Printed scarves from Bengal & Bombay. Benaras scarves.	Banaras scarves	Printed silk saris, Banaras, B'lore, Madras, H'bad, Banaras, scarves
Running material (per yd.)	...	Printed silk from B'lore, Bengal, silk from Bihar, B'lore, Assam, Kashmir, Madras, Silk brocades	Madrâs, Banaras, B'lore silk, silk brocades	Brocades from Banaras and Surat. Banaras, B'lore silk.
WOOL	Scarves	Scarves, Kashmir woollen material	Scarves, shawls, baby blankets	Kulu shawls, pashmina scarves and shawls, Almora shawls, embroidered Kashmir shawls.
CARPETS ETC.	...	...	Namdas, crewel embroidery	Namdas, carpets, chain stitch rugs, jute and woollen carpets.

157. The essential requirement is that the composition of stocks should not be a fixed datum as is the case in many places. Stocks should not wear a dull, dismal, unvarying aspect for years together. That is what creates the museum atmosphere. Managers and salesmen should vigilantly watch the relative importance of different items in the demands of their customers and replenish and re-arrange their stocks accordingly from time to time.

158. Some emporia are considering the appointment of special display artists. We consider that except in the biggest emporia display itself hardly requires the employment of a wholetime specialist. Many emporia have managed to have a good display without employing specialists. The All India Handicrafts Board, however, may have a trained specialist on its staff who should visit different emporia and advise and train the local salesmen.

159. In stock composition a balance should always be maintained between textiles and other articles. If the ratio of textiles is very low a depot usually registers losses because the turnover is low; if, on the other hand, textiles are given exclusive attention, other handicrafts suffer by default.

160. When and where goods from different states are kept, it is not desirable, in our opinion, that they should be displayed and sold on separate counters. The arrangement of goods should always be according to materials and uses. A customer who comes to buy a given article for a given purpose should be able to see all varieties of it produced in the different states at one and the same counter, instead of having to move from counter to counter.

PUBLICITY

161. Provision for publicity in the expenditure of public emporia is very poor as the following statement shows.

Name of the Emporium	Latest year for which data is available	Amount spent on publicity (Rs. in lacs)	Percentage of expenditure on publicity to sales
Bihar (G)	1952-53	0.08	2.60
Bombay (C)	1951-52	0.01	0.25
CCIE	1953-54	0,07	1.00
Hyderabad (G)	1952-53	0.01	0.50
Kashmir (G)	1953-54	0.30	1.00
Madras (VTI)	1952-53	0.01	0 20
Madras (B)	1951-52	0.01	1.50
Rajasthan (G)	1952-53	0.02	15.50
Kalimpong (B)	1951-52	0.02	1.00
UP (G)	1953-54	0.03	0.75

162. Allotments for publicity clearly need to be increased. But inspite of these increases adequate publicity is so expensive nowadays that it cannot be organised separately by every emporium. We consider that publicity, internal as well as external, should be organised by the All India Handicrafts Board on an all-India basis out of its own development budget. Centralised publicity would be more effective as well as economical. The Board should publish illustrated catalogues, handouts, articles and advertisements in periodicals both within the country and abroad. It should also arrange films and broadcasts in cooperation with the Ministry of Information and Broadcasting. Special stress should be laid on these media now.

163. In the material published for foreign consumption it is important that the names and addresses of only reliable exporting firms and governmental and cooperative agencies are given so that new importers may not be disappointed by inefficient service.

164. In the material put out for internal consumption, a twofold approach is required. First, a most vigorous and sustained appeal should be made to the rich and the upper middle classes, who have substantial purchasing power, to patronise handicrafts. It should be emphasised that most of the money spent on imported goods goes out of the country ; that most of the money spent on millmade goods goes to those who are already rich ; but most of the money spent on handicrafts goes to the working masses ; that in buying handicrafts they promote full employment ; that this is a means of rendering social service "without tears" ; that every purchase carries bread to some hungry stomach, light to some dismal dwelling ; that the survival and growth of handicrafts is a matter of national prestige and a sign of our determination to be self-reliant. Regular poster campaigns in all towns to drive home these points would be one of the most effective means of internal publicity.

165. For the lower middle classes a different approach is needed. An appeal to their patriotism is not enough. Publicity aimed at them should lay more stress on the fact that handicrafts offer a large range of cheap as well as beautiful articles of utility. For what keeps them away from handicrafts is the notion that *all* of them are costly in comparison with similar imported and millmade articles — which, as we saw above, is not true.

166. The published material should be available not only at all the depots but at all tourist sites, railway stations, ports and ærodromes, important hotels and restaurants, fairs and festivals, circuses and cinema halls, beaches, hill stations and holy places.

167. An annual Handicraft Week should be organised all over the country.

The aim should be to interest people in buying handicraft products for their dress and adornment, gift and entertainment, decoration and domestic use.

EXHIBITIONS

168. Participation in exhibitions, both local and foreign, has made good progress in recent years. Statement in the appendix shows the foreign exhibitions in which Indian handicrafts have been exhibited in recent years. Besides, an increasing number of local exhibitions have been held in which various emporia have taken part.

169. This activity should, of course, continue. We especially recommend the regular organisation of special exhibitions like those of prints, pottery, mats, toys and nirmalware organised by the All India Handicrafts Board in New Delhi. They focus public attention on each individual craft and enable artisans and manufacturers in different states to meet and exchange ideas. We suggest that symposia on the problems and prospects of every craft should be organised along with these exhibitions.

170. Complaints about the selection of exhibits for foreign exhibitions have recently been remedied through the appointment of a Standing Selection Committee of the All India Handicrafts Board. The exhibits selected should be really representative of all Indian handicrafts. They should include the manifestly beautiful as well as the merely tolerable, the expensive as well as the cheap, the modernised as well as the traditional articles, for, the purpose of participation in exhibitions is not only to show our best but also to watch and receive foreigners' reaction to what is not so good and improve it. For the same reason, the Selection Committee should always suggest to those whose goods are rejected how they might be improved in order to be acceptable.

MARKET RESEARCH

171. One of the basic requirements of market expansion is continuous market research. At present no emporia—not even the big ones—have any appropriate arrangement for an analysis of their sales, commodity-wise and pattern-wise, with a view to determining market trends, anticipating future demands and regulating purchase accordingly. Even ordinary sales statistics are difficult to get.

172. Nor is there sufficient knowledge of the peculiar needs and tastes of the consumers of different countries based on area studies. The emporia, as well as the private manufacturers, have turned their attention to exports only recently and have very few contacts. They have no resources to send representatives abroad for on-the-spot investigations of market possibilities. Except a few importing concerns, with which very few exporters have contacts, importers generally do not convey to the Indian manufacturers concrete suggestions regarding adaptations in specifications and designs required to meet their needs. And the reports of our commercial respresentatives abroad regarding market trends and prospects are too general and superficial to be of specific help to handicraft manufacturers.

173. Sale promotion activity is hampered by this lack of knowledge. Public marketing agencies have the responsibitity as well as the opportunity for compiling detailed market information and communicating it to all concerned. Apart from promoting sales it would be of very great value in planning the development of handicraft production on a scientific basis.

174. We recommend that every government emporium having a sale of one lakh rupees or more should employ a Sales Analyst. He should maintain up-to-date statistics, item by item, conduct area studies, compile full data about comparative prices, competition, changes in consumers' tastes and so on and constantly advise the managements as to how they should plan their purchases and policies in the light of current trends. He should also collect and summarise commercial intelligence from foreign countries. Exhibition sales should be studied with special care.

175. For foreign market research it would further be necessary that trade delegations consisting of exporters, manufacturers and workshop owners, interested in important handicraft groups, should visit foreign countries and make on-the-spot studies. The

inclusion of working atrisans' representatives in these delegations is very important. For having the technical knowledge of processes and designs, they would be able to grasp new ideas and execute them more easily than if they acted on businessmen's instructions. But this would mean that, in addition to the facilities now made available by the government to private trade delegations, substantial financial assistance would also have to be given,

176. All the information gathered by the Sales Analysts and the trade delegations should be made available in suitable form to emporia managers as well as manufacturers and artisans.

177. One method of assessing the marketability of goods is to invite experienced businessmen from different areas to examine handicraft products critically and make their detailed observations as to their design, price, workmanship, finish, etc. and the changes which they think are needed to make them more acceptable to consumers in their respective areas. Such examinations have come to be called "market clinics". ECAFE recently organised a clinic for wood, bamboo and lacquer articles. The handicrafts of UP have been the subject of very detailed studies by many American experts. The reports of Mrs. A. R. Galway and Mrs. E. B. Willis are specially valuable. Mrs. B. K. Nehru submitted a brief but useful report on the prospects of different handicraft articles in the United States market on the basis of her experience as the Chairman of the Indian Cottage Industries Export Promotion Committee in New York during 1950-1953. Mr. H. C. Ford, the handicraft expert of the United States Technical Cooperation Mission, who was a member of our Team during our tours of UP, Hyderabad and the southern states has also made pointed observations in his memoranda to the Team. In the appendix to this chapter we give a tabulated summary of the results of these studies.

178. We need hardly say that such 'clinical' studies should be regularly organised in every state for every handicraft and the data collected transmitted to the producers.

179. The All India Handicrafts Board made its first experiment in organising a market clinic on the occasion of the All India Cottage Industry Exhibition held in Srinagar in June, 1954. Kashmir goods were subjected to critical scrutiny by small groups consisting of experienced members of the All India Handicrafts Board and some artists and buisnessmen. It was an interesting attempt at self-criticism. A perusal of the reports, of the groups however, shows that the aims of the clinic were not clearly defined ; and no uniform procedure was followed. Some groups discussed the general economics and statistics of the handicrafts surveyed by them, others made some very vague and general suggestions.

180. We suggest that clinics be organised in the future on the following lines :

1. A fairly representative selection of the articles of a craft should be collected at one place. The selection should include the good as well as the bad, the cheap as well as the expensive items.

2. The sole aim of the clinic should be to have expert information

   (*a*) on the design, workmanship, colour scheme and finish of the exhibits,

   (*b*) on their prices and

   (*c*) on the area or areas in which they may be tried out in their present or improved forms.

3. The examination should be made by a committee of not more than three experts who have long experience in handicraft design and/or marketing.

4. The experts should be requested to comment in detail upon every exhibit separately, mainly with respect to the aspects mentioned above. They should be expected to furnish actual drawings, where necessary, of how they would like every exhibit to be redesigned with rough estimate of its cost and probable market.

181. Much valuable information can thus be gathered for the guidance of craft designers and selling agencies.

182. In this connection, the proposal to hold an All India Exhibition of Handicrafts in this country to which market experts and representatives of foreign importers and traders might be invited to 'diagnose' the exhibits is of great importance. In fact, after this exhibition is held, individual commercial visitors should continue to be regularly invited for this purpose.

183. Evidently it is not enough merely to gather information. It should also be transmitted to those who are actually engaged in production. Even transmission of this information, however, will not suffice. Craftsmen should actually be assisted to make samples according to the new designs. Orders for them should be placed by the emporia. The redesigned articles should be tried out in the emporia or abroad and large orders placed if buyers show interest.

ADMINISTRATION

184. For the effective implementation of the sales promotion measures outlined above it would be necessary to overhaul the administrative machinery of the emporia.

185. Some emporia have able and enterprising managers but on the whole emporia managements today lack the business drive expected of commercial undertakings. There is no vigorous and sustained effort, except at one or two places, to adapt the stocks to the changing tastes and needs of the market. The officers and managers in charge have ordinary administrative experience but very little commercial experience. They are bound by normal governmental rules and codes. As a result, the procedure of taking decisions is tardy and long-winded. Quick and on-the-spot decisions, so essential for economy and efficiency, cannot be taken by the managers, even on minor matters. Initiative is discouraged. Salesmen are indifferent, uninterested and uninformed.

Most of them have little knowledge of the products they are selling, their merits and demerits and their places and processes of manufacture. Prices are fixed according to rigid rules and are often out of tune with the market prices with the result that unsold stocks continue to accumulate until the situation becomes so difficult that prices have to be cut down (after prolonged. administrative proceedings) and heavy losses incurred. Many emporia are still running on a 'temporary' basis so that the staff work with a sense of chronic insecurity. And the subordinate staff everywhere are too underpaid to be interested in promoting sales.

186, All these deficiencies are due to the fact that the government emporia are under pəpartmental management. As Mr.A D. Gorwala says in his Report on the Efficient Conduct of State Enterprises, departmental management

> "is the direct negation of the requirements of autonomy. It militates against initiative, flexibility — in the sense of freedom from the usual administrative procedure regarding financial sanction, government pay scales, recruitment, dismissal, etc. — the business angle and business methods ...."[1]

187. Paradoxically, however, inspite of this recognition of the unsuitability of departmental management for commercial undertakings Mr. Gorwala recommended that "for state trading schemes .... departmental management is best."[2]

181. We see no reason why, while autonomous boards are recommended for manufacturing, departmental management should be recommended for marketing. Marketing requires, if anythings more flexibility, a greater sensitivness to changing situations and promptitude of decision than manufacture. Departmental management may be necessary "in the formative stages" but, as soon as an undertaking has grown to a reasonable size, management should be entrusted to autonomous bodies.

189. We recommend that the management of all government emporia with an annual turnover of one lakh rupees or more should be entrusted to autonomous boards of management.

190. The administrative set-up of these boards should follow the recommendations of Mr. Gorwala, which we summarise below with suitable adaptations to the needs of the emporia.

191. The boards must be under general governmental control but control "must not be of such a character as to affect the business ability of the (autonomous) au'hority and prevent it from fulfilling the ends for which it has been created."

192. The government should lay down the basic priniciples which the boards, and managers directly responsible to them, must fo.low in respect of purchases, sales, price

1. Page 13. 2. Page 32.

fixation, profit margins, captial investment and coordination with other agencies. The government should also expect a detailed annual report and audited account.

193. But "day to day management must be left outside their scope. A large degree of independence for the boards in matters of current administration is vital to their efficiency as commercial undertakings."

194. Every board of management should consist of the manager, as Chairman, and include two representatives of the government, four each of the artisans and consumers and two experienced, public-spirited businessmen. But MP's, MLA's, Ministers and representatives of commercial interests should not be members; otherwise "the autonomy of the organisation would be negligible."

195. The board should not be a "forum for the settling of points of difference among various interests each of which pulls its own way." It should consider its responsibility "not to any sectional groups but to the public as a whole", that is, "the consumer, the employee, the government and the nation."

196. The manager should, of course, be a wholetime member, but other members may work on a part-time basis. The manager, while he is on deputation to run the emporium, should "cease to be under the direct administrative control of the department from which he was drawn or of any other department."

197. In internal management "responsibility and authority must go together."

198. As regards recruitment "in the age groups 40/50, suitable men might be recruite d from government or existing concerns for immediate appointment as general managers and assistant general managers. To replace them in due course and provide stand-bys, another batch in the age group of 30/40 might also be taken up from the same sources and trained for a few years, doing less responsible work at the same time. The ultimate basic material will, however, be provided by taking in men with good general education between the ages of 20/25. They should have a bias towards economic and business matters. They could be given training in proper production and sales methods by attachment to good firms. It may be necessary for government to ensure that really efficient firms undertake the training of some of their young recruits." Whenever necessary men may be chosen on the basis of "future potentiality rather than past performance."

199. All employees should be kept on a contract basis, "the contract being liable to termination on six months' notice as in most businesses. This is most important as an incentive to continuous effort, for with such a contract the employee will know that it is not enough for his performance to have been up to the standard once but that if he wishes to keep his job, not only must he continue to keep it up to standard but must improve it. The pay scales allowed will have to take this particular aspect into account and accordingly be sufficiently attractive to compensate for it. There should be no attempt to assimilate them to government pay scales."

200. "Accounts should, of course, be kept in proper commercial fashion." "Their audit too ought to be properly commercial." "There should be proper cost accounting and statistical quality control. It is essential that the community should know the cost, nor should this be in the aggregate only. The cost of each important part should also be known as otherwise inefficiency in sections of the enterprise may well remain cloaked. The cost again should be the real cost, that is, if there is any element of subsidy by the state, it should be added to the expenditure actually incurred. So, too, if there is any element of hidden taxation in the price, that is, the price is pitched higher than it should be on the basis of economic costs alone and the surplus handed over to the state, that also should be clearly brought out."

201. To all these recommendations of Mr. Gorwala, which we re-emphasise we should only like to add a few observations.

202. We consider that emporia managers may be recruited, inter alia, from amongst the generation of young, educated sons of business families who have business talent and are at the same time radical enough, due to their education, to be good public servants rather than stick to old businesses and business methods.

203. Training of salesmen should include an intimate knowledge of the actual conditions of production of the articles they are to sell. For imparting this knowledge actual visits to production centres might be organised for them.

204. With a view to increasing the incentive of emporia staff in sale promotion it might be desirable to give them a commission of ½ to 1 percent on the turnover. The Central Cottage Industries Emporium, New Delhi, and the Victoria Technical Institute, Madras, have been paying such commission with excellent results in terms of increased sales.

205. It is also desirable that managers should hold regular meetings of the staff and salesmen — say once a fortnight — to discuss sales promotion measures in a spirit of collective endeavour in the service of artisans and consumers. The staff must be made to feel that they are participating in an important public undertaking.

206. All emporia (except branches) which are still run on a temporary basis should be immediately made permanent in order to give the staff a sense of security.

207. Some emporia — in Hyderabad and Mysore for example — have had non-official advisory committees. But these committees fail to render useful service either because departmental officers regard them as nominal bodies not to be taken seriously ; or because they are interest-ridden ; or because members are indifferent. But if they are converted into autonomous boards composed of able men entrusted with direct managerial responsibility, as suggested above, they can doubtless run the emporia far better than government departments.

208. The committee of the Indian Cooperative Union, which runs the Central Cottage Industries Emporium, for example, deserves much credit for the progress of this Emporium since its transfer to the Union in 1952.

209. Another example of the good effect of autonomous management is furnished by Kashmir. There, the General Manager of the Emporium is directly responsible to the Minister of Industries in matters of policy but with regard to the administration of the emporium, purchases, price fixation, etc. he is vested with full powers. As a result there is greater evidence than in many other places of initiative and flexibility. Sales too have registered very satisfactory increases.

210. Owing to the lack of a clear policy in respect of prices, purchases, overheads, etc. the administration of the CCIE and the Kashmir Emporium still leaves much to be desired. But the advantage of autonomous management is clearly demonstrated by their progress so far.

211. In conclusion we should like to say that autonomous boards of management can do much to improve the working of government emporia but eventually these too must hand over management to federations of artisans' and consumers' cooperatives. We visualise that from year to year, as cooperatives grow in number and strength, governments would modify the composition of the boards of management in favour of their representatives until, within about five years or so, they are able to take over the management completely.

212. As we saw in the chapter on policy, government enterprise in the field of handicraft marketing has little permanent justification. Its function is only to create conditions for the ultimate assumption of responsibility by cooperative bodies. It should, therefore, be regarded as nothing more than a stepping stone to a cooperative edifice.

APPENDIX

Statement Showing Exhibitions in Foreign Countries Where Indian Handicrafts were on Display

1948-52	International Wool Exhibition, London
	International Trade Fair, Chicago
	International Trade and Cultural Fair, Indonesia
	'CORSO' Exhibition, New Zealand
	Milan Fair, Italy
	Wellington Show Association Exhibition, New Zealand.
1953	Coronation Exhibition, London
	Paris Exhibition
	New York Toys Exhibition
	Bamboo Work ECAFE, Bangkok
	New Zealand Needle Craft and Dolls.
1954	Seattle
	Cairo
	British Industries Fair
	Exhibition of Dolls in Switzerland
	Sao Paulo (Brazil) Exhibition
	Industries Exhibition, Nepal

Statement Showing Suggested Improvements in Workmanship and Design[1]

Article	*Improvements Suggested*
Cotton Prints	Use only fast dyes. Train workers thoroughly in the compounding of dyes, and in improved dyeing processes. Avoid running together of colours. Maintain colour uniformity in running lengths. Avoid blotches and blemishes. Develop traditional but simpler designs. Revive old design patterns not used for many years. Use completely Indian symbols and indigenous motifs. Try calligraphy designs. Use subdued colour schemes.

1 This summary is based on Mrs. A.R. Galway's Report on Textile Cottage Industries (with special reference to Export Appeal), Mrs. Elizabeth Willis' Report on a Survey of Uttar Pradesh Handicrafts, Mrs. B.K. Nehru's Report on the work of the Indian Cottage Industries and Handicrafts Export Committee (1950-53), the Economic Commission for Asia and the Far East Market Analysis of Bambooware, Woodwork and Lacquerware (ST/ECAFE/SER-J/113), ECAFE Marketing Survey (E/CN.11/I&T/45) and the observations of the Survey Team.

Article	*Improvements Suggested*
Silk Fabrics	
Silk Brocades	Use fast colours. Weave running lengths (36″ and 45″ wide) for dress materials for export, Use more light-colour schemes. Make brocading lighter. If chemical zari is used it must not tarnish. Reduce prices[1] (the price of exported dress materials should not exceed Rs. 30 per yard f.o.b. India). Roll the edges of all scarves.
Himroo	Improve weaving equipment in order to increase efficiency and obtain better finish specially on the wrong side of the fabric. Develop new uses as furnishing fabrics, housecoats, stoles, bags, and covers for albums, books, diaries, autographs books, picture frames etc. Reduce prices.[1]
Zari Embroidery	Use zari thread which does not tarnish. Use stiffening material which does not warp. Improve lining.
Carpets and Rugs	Use fast colours. Substitute vat dyeing for direct and acid dyeing (exported carpets and rugs should be able to stand chemical washing). Use machine spun yarn for superior varieties meant for export. Increase output of small rugs (36 x 20, 48 x 24, 42 x 30 inches) Design improved loom for quicker weaving of rugs upto 42 inches width.
Ivory	Use small power equipment for preparatory and finishing work. Design articles made of ivory in combination with wood or metal e.g. small boxes with carved animal knobs made of ivory ; wooden trays with ivory handles ; ivory cigarette cases with wood, copper or silver lids ; small ivory boxes with copper lids ; wooden or metallic lamp stands with ivory rigs or squares ; ivory salad servers with wooden handles ; wooden salad servers with ivory handles ; silver-and-ivory jewellery

[1] Prices generally need to be reduced. But in the case of these items they are specially uncompetitive and a lowering of them is a necessary condition of market expansion.

Article	*Improvements Suggested*
	(including ivory bangles with ornamental work or gold wire inlay) ; wood-and-ivory or wood-and-metal desk sets.
	Use better metal fittings in brooches, eartops, necklaces etc.
	Develop new uses for ivory bangles.
Wood Carving and Inlay	Use only seasoned wood. Carve lighter designs (with large blank surfaces). Avoid elaborate carving specially on horizontal surfaces to prevent accumulation of dust.
	Avoid ignitible material for colour inlay. Try semi-precious stones instead.
	Set joints properly. Use better fittings (nails, catches and hinges).
	Improve the finish (surfaces should be smooth and edges properly sanded off).
Brassware	Stick to traditional but simplified designs.
	Ensure tarnish proof finish (in tinning, polishing and enamelling). Avoid rough bottoms. Avoid structural and line flaws in engraving. Control quality of lacquer mixture used for filling engravings.
	Design new range of artware items.
	Increase production of brass insect figures from Madura.
	Reduce prices specially of brassware manufactured in Rajasthan.[1]
Bamboo, Cane and Rattan	Improve construction and finish. Use spray painting if possible on furniture (a common facility shop may be set up for the purpose). Make more furniture in parts which can be assembled.
	Use improved equipment (blow torch) for cane bending, electric drills with sanding and wirebrush attachments, and cane splitting tools of the Japanese type.

1Prices generally need to be reduced. But in the case of these items they are specially uncompetitive and a lowering of them is a necessary condition of market expansion.

Article	*Improvements Suggested*
Papier Mache	Avoid perishable paints. Finish inside surface carefully. Use less elaborate designs. Design new gift articles. Improve packing.
Leather Art Goods	Use better metal fittings. Use properly tanned and finished leather. Make stitches strong. Improve lining. Introduce new designs and also make articles of leather in combination with mats.
Mats	Improve mat weaving equipment specially in Pattamadai so as to reduce costs. Continue to develop new uses for matting in art goods.
Bidri	Use small power grinders and buffs. Improve casting technic. Improve finish of inside surfaces. Use better hinges in the box. Develop less elaborate designs.
Chikan Embroidery	Use cambric or organdy of fine quality as basic fabric for exported pieces. Avoid loose stitching. Finish edges so that they do not ravel in washing. Try chikan embroidery on other garments and furnishing fabrics.
Pottery	Organise research in local earths. Improve technics of firing, glazing and finishing. Improve packing. Reduce prices.
Silver Jewellery	Control silver fineness. Develop new designs. Use better fittings.
Toys	Strengthen construction of Kondapalli toys. Improve painting and finish. Make more papier mache toys.

Toys *(Contd.)*

(The toy industry has a vast market potential if more imaginative designing is organised. Toy designers should not only have a knowledge of colour and form but also the necessary technical knowledge and an insight into child psychology. Most of our toys are merely figures which would be good on the shelf, but not so good in children's small hands. Children want not merely to look at toys but to play with them. They want beautiful little things which they can press, push, pull, roll, bang, swing, scatter and put together. So more and more of our toys must be brought to life and action. They should be strongly made and properly sanded, painted and finished. Paints should be bright and non-poisonous. And the painting need not be naturalistic to the last detail. It should only be symbolic and suggestive. Toy workshops should be well-equipped with metal and wood working machines so that new, composite toys can be designed and manufactured.)

Chapter 4

COOPERATIVE ORGANISATION

SECTION (A)

213. In the field of handicraft production and marketing, cooperative organisation has not made much headway in India inspite of the fact that for decades there has been general agreement about its necessity. In 1951-52, 7652 industrial societies were reported to be in existence, of which 5154 were weavers' societies and 2498 'other' industrial societies. The turnover of these 'other' industrial societies is shown in the following table :

State		*No. of Societies*	*Sale of finished good in Rs. lakhs*
Assam	...	21	2.91
Bihar	...	104	3.11
Bombay	...	776	77.13
Madras	...	279	40.69
Madhya Pradesh	...	88	13.13
Orissa	...	261	31.03
Punjab	...	141	9.51
Uttar Pradesh	...	69	17.62
West Bengal	...	185	5.44
Hyderabad	...	58	3.45
Madhya Bharat	...	40	2.76
Mysore	...	20	0.40
PEPSU	...	10	1.07
Rajasthan	...	139	4.89
Travancore-Cochin	...	43	4.21
Saurashtra	...	97	2.08
Ajmer	...	23	Not available.
Delhi	...	134	16.50

It would appear that there was a significant turnover only in Bombay, Madras, Delhi, Orissa, Madhya Pradesh and UP

214. An up-to-date craft-wise classification of industrial cooperatives is not available. But the insert table gives some indication of the relative number of cooperatives in different craft groups as at the end of the cooperative year 1951-52. The number of societies engaged in handicrafts proper is very small. Data about the working of these cooperatives is again very meagre. However, a brief summary of the available information is given below. In regard to the cooperatives visited by the Team slightly more information has been given.

215. Bombay has probably done more than any other state to promote cooperative organisation in cottage industries other than handloom weaving by way of technical and financial assistance. Most of the industrial cooperatives in Bombay are engaged in tanning and leather work, forest labour, rope making and oil crushing. There were, however, 28 cooperatives engaged in cane and bamboo work, 13 in metal work other than smithy three in sandalwood carving and 12 in pottery manufacture.

216. In Madras a good number of societies are engaged in metal work, leather work and pottery; and some in wood and stone carving, toy making and bamboo and straw worb. Of these the Kondapalli Toy Manufacturers' Cooperative Purchase and Sale Society deserves mention. The sales of the society are shown below :

Year	*Sales*
	Rs.
1945-46	7,923
1946-47	9,200
1947-48	4,320
1948-49	2,988
1949-50	3,231
1950-51	2,507

Turnover has fallen from its wartime level but during the last two years it has been reviving again. The Society supplies quality material to its members, maintains a showroom and serves distant markets through participation in exhibitions, arrangements. with Emporia etc. The Victoria Technical Institute, Madras, has now become its largest buyer. The demand for Kondapalli toys is steadily increasing in India and abroad.

217. In Uttar Pradesh there were 165 industrial societies other than handloom societies Most of these are engaged in leather work. But there are some in woollen manufacture, brasswork, woodwork, pottery, calico printing and embroidery. In the towns visited by us in Uttar Pradesh there was hardly any handicraft cooperative functioning effectively. There is a National Cooperative Store in Banaras, which started cooperative purchases and sale of Banaras saris a few month ago. A description of the work done by it during the last few months is given in our monograph on the "Silk Brocades Industry of Banaras". There is no cooperative in the carpet industry of Mirzapur and Bhadoi. (There used to be one some time ago but it is not functioning.) There is no cooperative in the wooden toy industry of Banaras. The Divisional Superintendent of Industries reported, however, when we visited Banaras, that a small government order for furniture had recently been received on the basis of which some trainees of the Government training-cum-production centre at Banaras were being induced to form a cooperative society. There is no cooperative in the cloth printing and the chikan embroidery industries of Lucknow. There is one cooperative in the cloth printing industry of Farrukhabad, but it is not functioning at present. There is none in the furniture industry of Bareilly, none in the pottery industry of Khurja. In the Moradabad brassware industry, one cooperative has been registered, but because of continuous group rivalries it has not been able to begin operations so far.

218. Ajmer has a society of namda makers at Pushkar and one of gold and silver thread manufacturers at Bhinai. The former makes woollen goods and sells them in the Pushkar and Urs fairs. Its sales amounted to Rs. 1.947 in 1949-50.

219. Assam, as the table shows, had only five industrial cooperatives in 1952. Of these two deserve mention namely, the Assam Cooperative Silk House, Sual Kuchi, and the Assam Cooperative Bell Metal Utensil Manufacturing Society, Sarthebari. The former, established in 1942, purchases yarn and sells cloth for about 500 silk weavers. The latter, similarly, purchases scrap and sells utensils for most of the 1600 bell metal workers of Sarthebari and the surrounding villages. Its sales during the last three years are shown below :

	Rs.
1950-51	37,823
1951-52	20,980
1952-53	25,821

The society had been making an average profit of approximately Rs. 3000 a year in these years. Both the societies have been responsible for a slight improvement in the workers' earnings. But even now both have often to make their purchases and sales through the very mahajans whom they ought to replace.

220. Bihar has a Bihar Provincial Cooperative Association, started in 1956, in Darbhanga district. It is engaged mainly in sikhi work and sells its products in village fairs and exhibitions. The cooperative has not made much progress. There is hardly any cooperative in other handicrafts; there is none even in Bhagalpur which has about 10,000 silk handlooms.

221. Hyderabad has a much publicised five-year scheme for the organisation of 1000 primary industrial cooperatives under a federation of industrial cooperatives. (The Federation has an authorised capital of Rs. 60,00,000). The progress made under the scheme, however, is insignificant. The cooperatives organised under the scheme in the handicrafts surveyed by us are just carrying on a nominal existence. In Bidar four cooperatives, with about 50 members, have been organised in the famous Bidri craft, but they can hardly be called cooperatives. They are private middlemen's units nominally converted into cooperatives against the assurance of financial assistance. The middlemen have now become 'presidents'. They have provided all the capital; there are no managing committees; the 'presidents' saw "no need" for them since all the money had been invested by them; and nobody has any notion about the nature of a cooperative. The total productive capacity of these four societies is estimated to be Rs. 50,000 a year. But at present they are producing goods worth about half that amount. Since the formation of cooperatives, the middlemen have come to depend entirely on the Government Sales Depot for marketing the goods on the plea that since the Government has forced them to form cooperatives it is the responsibility of the Government to market their entire production.

222. The case of the societies shows how the very purpose of cooperative organisation may be defeated if it is imposed by the government on people who are psychologically not prepared for it.

223. In Warangal, the Warangal Cottage and Small Scale Industries Cooperative Society was organised in 1952. Its main activity is carpet weaving. Some blankets and coarse fabrics are also produced. It has a number of good, technically qualified leading members on its managing committee. But it is badly in need of financial and marketing assistance. Since the Hyderabad Government Sales Depot placed an order for 50 carpets the society has been able to make some headway.

224. In Aurangabad, the Nawabpura Industrial Cooperative Society was registered in 1953 in the famous himroo industry. The society, however, is doing no work at present because the demand for himroo fabrics has dwindled. (More than forty out of about sixty looms in the town are idle.) The members are normally engaged in other occupations—service in the local textile mill or hawking or rickshaw pulling. When an order is received the society distributes the work amongst the workers.

225. In Madhya Bharat a few cooperatives have been organised for the weavers of Chanderi and Maheshwari fabrics and the lacquer workers of Sheopur.

226. In Madhya Pradesh out of 81 industrial societies other than weavers' societies, 26 were reported to be engaged in brassware manufacture, one in leather manufacture and four in miscellaneous home industries.

227. Manipur was reported to have a total of 10 industrial societies. Of these, one is a textile dyeing and printing cooperative started in 1954 by a skilled craftsman. Members can expect employment only for about two or three months in the year. But when orders are received the society pays comparatively satisfactory piecerates, so that the workers earn Rs. 2 to Rs. 3 a day.

228. The Imphal Carpentry Workers' Cooperative Society was formed in 1951 for making wooden furniture. The government gave it a loan of Rs. 6,000 free of interest under a scheme of aid to cooperative societies.

229. In Mysore, there were 21 cooperative industrial societies. One important handicraft cooperative is the Mysore Gudigar's Cooperative Society Ltd. This society was formed in 1951 through the amalgamation of two cooperative societies established in 1915 at Sagar and Sorab for preserving the ancient art of sandalwood carving. Now the society has its head office at Sagar and a branch at Sorab. It serves nearly 800 members. The State Government assists the society by supplying it sandalwood at 50 percent of the retail price. But even with this assistance the society has not been able to reduce its cost. The articles produced by the members are below the mark in finish and craftsmanship, so that at the end of the year a good many have to be returned to the members for repair. Although the society has been working for three years, no improvement has been made in this respect. Besides, the majority of the members in the two areas are still unemployed and the workers outside the society are still at the mercy of middlemen.

230. In Orissa, there is a Vishwakarma Horn Workers' Society in Parlakemedi. This society has about 15 members who work jointly at a central place. The sales of the society amounted to Rs. 15,000 in 1951-52. In Khandapur, in Puri district there is an

Ivory Wood Workers' Society, which is trying to preserve the traditional craft of making small wooden containers. The society has been given some government assistance.

231. There are nine central cooperative industrial units in the Punjab which finance and supply raw materials to 274 primary industrial cooperatives in different industries. In addition, seven industrial cooperative societies were established by the government in 1951 at Nilokheri. Since their formation the total sale of the industrial cooperatives has risen to 17.46 lakhs a year.

232. Two Central Cooperative Industrial and Marketing Federations exist in Jaipur and Alwar in Rajasthan for marketing cottage industries products. So far they have not been able to function effectively.

233. The Cochin Cottage Industries Cooperative Marketing Society Ltd. was registered in 1930 for marketing the products of cooperative institutions. The society at present serves 323 members of whom 250 are cooperative societies and 73 private units. Besides its paid up capital, the society received a government loan of Rs. 50,000 and overdraft accommodation up to Rs. 2 lakhs from the Cochin Central Cooperative Bank Ltd. It purchases and sells coffee, pig iron, miscellaneous consumer goods and cottage industries products on behalf of cooperative societies. It supplies finance and raw materials to the artisans and purchases their manufactures on a cash basis. The work of the society has been expanding and it now has 7 sales depots in Travancore-Cochin, besides its main depot at Trichur. It has also established commercial relations with Emporia in other states. During the period 1945-50, its net profit exceeded a lakh of rupees ; in 1950-51 it stood at Rs. 1,02,480 and in 1951-52 it amounted to Rs. 95,249. One of the main handicaps of the society is the lack of proper organisation in the primary societies. The society feels that unless these are brought under its direct supervision it will be difficult to execute bulk orders satisfactorily.

234. The Chitoor Industrial Cooperative Society has organised the workers in the kora grass mat industry. The society supplies them with raw material and sells their products through the Victoria Technical Institute, Madras. Since its establishment, the workers have been getting regular work and receiving prompt payment. Production has increased and the quality of mats has considerably improved.

235. The Thazhva Kudil Vyavasaya Cooperative Society Ltd. Thazhva, Karunagapalli, Travancore-Cochin, did some good work during the prewar and war years for its 755 workers, most of whom were engaged in the manfacture of screw pine mats. It had established a showroom in Karunagapalli where fine mats and embroidered screw pine articles were sold. It also executed miscellaneous wartime orders. It had also managed to develop some foreign sales. But during the last three years the work of the society has declained due to changes in management. The Karunagalli showroom has been closed and the society has been involved in litigation.

236. In West Bengal the Vishnupur Cooperative Braziers' Society was formed in 1944 with a membership of 282 workers. The main function of the society in the beginning was to obtain coal for its workers. But later it started purchasing scrap and selling bell

metal articles on behalf of its members. It received a loan of Rs, 9,000 from the Cooperative Bank to finance its activities. The annual production of the members is 1100 maunds, valued at Rs. 2,00,000 approximately. The society has succeeded in stabilising the earnings of the workers. But though the majority of the metal workers of Vishnupur belong to the society, many of them are forced to borrow from the mahajans during the slack season and the mahajans force them to leave the society and work for them.

237. The Bankura Sankh Silpa Samity was formed in 1953 with 39 members. The society has been supplying raw materials to its members at low cost.

238. The Kalimpong Cooperative Society Ltd. was established jointly by the Cooperative Department and the Department of Industries, West Bengal in 1948, with a view to providing remunerative employment to hill women. The society was given a cash loan of Rs. 2 lakhs at 6¼ percent per annum. During the first two years, the society was able to meet its expenses out of its income, but since 1952 sales have declined and the society has been incurring a loss. The society has benefited its members by supplying improved looms and raw materials and establishing dyeing centres where members can get their wool dyed into fast colours. 75 percent of the total production consists of knitted woollen garments. Membership and sales for the last five years are shown below :

Year	*Membership*	*Sales* Rs.
1950-51	144	1,526
1951-52	335	27,123
1952-53	432	33,925
1953-54	474	23,000
1954-55	472	25,143

239. Perhaps the most promising experiment in the cooperative organisation of handicrafts is the Indusco Movement in Kashmir, although it has received very little attention so far. It was started in 1948 for the rehabilitation of craftsmen, following the disturbances in 1947, and has since made steady progress.

240. Five handicraft cooperatives have been organised so far, namely, the Kashmir Carpet Manufacturers' Cooperative, the Kashmir Wood Carvers' Cooperative, the Kashmir Tapestry Chainstitch Makers' Cooperative, the Papier Mache Workers Cooperative and the Kashmir Pashmina Embroidery Workers Cooperative. The number of cooperatives has been deliberately kept small. Only one cooperative has been registered in each craft (in Srinagar). The aim is to develop a few strong and successful cooperatives rather than a large number of nominal units.

241. The Kashmir Carpet Manufacturers' Cooperative has 62 working shareholders and 100 non members working on a piece rate basis. The annual production is of the value of 70 to 80 thousand rupees. The cooperative pays to its weavers 4 annas a square

foot more than the market rate so that the monthly earning of an average worker is about Rs. 5 a month more than that of a worker in a private workshop. The cooperative accumulated an undistributed profit of about Rs. 4,000 upto the year 2009-10[1]. This has been kept partly as a market fluctuation fund and partly as an interest reserve.

242. The Kashmir Woodcarvers' Cooperative has about 70 members of whom 15 work in the workshop and 55 in their own cottages. The earnings of workers range from Re. 1 to Rs. 4 per day depending upon the quality of work. This cooperative has been running at a slight loss owing to high costs and outdated designs. But as demand is now increasing the cooperative is beginning to make up the loss.

243. The Kashmir Pashmina Embroidery Workers' Cooperative has 100 working members of whom 40 work in the common workshop and 60 in their own cottages. Sales figures for the last three years are given below :

	Year	Rs.
(April 1951-52 A.D.)	2008	62,420
(April 1952-53 A.D.)	2009	44,350
(April 1953-54 A.D.)	2010	35,850

The daily earnings of workers vary from Re. 1 to Re. 1-10 per day. On an average, workers earn Re. 1-8 per day, which is 4 annas more than the average earnings of workers outside the cooperative. During the year 2009-10 the cooperative made a net profit of Rs. 233 after recovering the entire loss of the previous years and setting aside interest and market fluctuation reserve.

244. The Kashmir Tapestry and Chainstitch Workers Cooperative has 13 members. Sale during the last three years has been as follows :

	Year	Rs.
(April 1951-52 A.D.)	2008	3,340
(April 1952-53 A.D.)	2009	8,590
(April 1953-54 A.D.)	2010	11,850

The cooperative pays its members about 2 annas per square foot more than the middle-men. The monthly earnings of a worker vary from Rs. 40 to Rs. 50. During the year 2009-10, it made a net profit of Rs. 475 after recovering the previous loss of Rs. 1,425.

245. The Papier Mache Workers' Cooperative (since its re-organisation)[2] has about 20 working members. It has a monthly production of about Rs 600—Rs. 700. The worker engaged in the shaping of material earn Re. 1 per day while those engaged in designing, colouring and finishing get Rs. 2 per day.

1 The Kashmir year 2009-10 is roughly April 1952-April 1953-A D.

2 Previously, it was a bigger unit of over 300 members.

246. When these cooperatives were formed it was naturally understood that the Kashmir Government Arts Emporium would market their production. Unfortunately, however, the Emporium has been unwilling to do so although the cooperatives have been prepared to supply goods on the most favourable terms and their total output constitutes an insignificantly small proportion of the total purchases of the Emporium. The Emporium has in fact, been proposing that the cooperatives should cease to be cooperatives and be converted into ordinary government centres. This proposal has, of course, been resisted by the Cooperative Department.

247. The apathy of the Emporium authorities has not been an unmixed evil however, for it made it necessary for the induscos to develop a cooperative marketing organisation of their own. They have done this by setting up the Kashmir Arts Cooperative (KAC) of which the five induscos are shareholders. The KAC is managed by a committee consisting of one representative of each of the five induscos. It has a depot at the Bund in Srinagar where goods produced by the induscos are sold on a consignment basis. In 1951, the KAC entered into an agreement with the Indian Cooperative Union, New Delhi, under which the latter became its selling agents. Since the execution of this agreement, the sales of the induscos have been steadily rising; they have able to recover their losses, make some profits, and look forward to the expansion of their business with hope. The following figures indicate the trend :

(In Rs.)

	Year 2007-8 (April 50-51AD)	2008-9 (April 51-52AD)	2009-10 (April 52-53AD)
Direct sale at the KAC depot ...	8,400	41,000	6,900
Sales to the Indian Cooperative Union	5,710	34,970	71,480
Total Sales	14,110	75,970	78,380
Commission earned .	1,540	5,140	3,380
Net profit (after recovering previous loss and setting aside interest and 10 percent market fluctuation reserve)	(—) 413	(+) 1,000	(+) 1,500
Goods received by the KAC from the Induscos			
Carpet Cooperative	5,340	13,000	18,380
Chainstitch Cooperative	1,830	11,430	16,530
Pashmina Cooperative	22,700	28,830	32,450
Papier Mache Cooperative	6,640	24,060	4,110
Wood Carving Cooperative	3,960	54,000	7,820
Total	40,470	1,31,400	79,290

248. Finance for the induscos has been provided out of a loan of Rs. 2 lakhs advanced to the Cooperative Department by the Central Cooperative Bank. Originally the understanding had been that the loan would be free of interest but subsequently the Cooperative Bank has been demanding interest at the rate of 4½ percent per annum. This has compelled the cooperatives to set aside necessary funds for the payment of interest. In view of the shortage of finance, it is desirable that the interest on these loans be remitted so that these funds would be released for use as working capital.

249. The financial control of the Department is generally strict. The accounts of the induscos are subject to pre-audit. All of them keep accurate and detailed cost accounts besides the usual books. All of them set aside a 10 percent market fluctuation fund. The profit earned so far has been reinvested.

250. Unlike cooperatives elsewhere the induscos of Kashmir are real, active cooperatives with working members, common workshops, and sizeable production. On the whole they have been well managed. One finds in these induscos effective internal democracy combined with strict departmental control. They have succeeded in raising the level of wages slightly, making the payment of wages regular and employment steadier. They have regulated hours of work and holidays, and freed workers from the unfair deductions of middlemen. Good use has been made of the small resources which have so far been available. After the initial losses they have been making and reinvesting some profit and setting aside reserves. Except in the woodcarvers' cooperative, costs are comparatively low so that they can compete with middlemen and government centres. At the All-India Handicrafts Exhibition held in Srinagar in June, 1954, for example, 18'×18' carpets of the same quality and design were priced Rs. 451 by the Kashmir Arts Cooperative and Rs. 700 by the Emporium. Similarly, shahtoosh blankets of the same quality were priced Rs. 700 by the KAC and Rs. 1,000 by the Emporium.

251. The basic factor responsible for a comparatively satisfactory growth of these young cooperatives has been that the members have been effectively educated and guided by the field officers of the Cooperative Department. Kashmir induscos were in fact the only cooperatives where we could talk to ordinary members at random and find them fully conversant with the nature of a cooperative. They realise the difference which cooperative organisation has made in their conditions of work. They are aware of the difficulties of their cooperatives, but are at the same time proud of what little has been achieved and look forward hopefully to progress in the future. We were agreeably surprised to find that in some of the government production centres workers were not only aware of the existencs of the cooperatives but were eager to join them if only they had enough capital to expand their production.

252. Lack of finance is the chief handicap of these induscos. If capital could be made available in sufficient measure, they might easily become the model induscos of the country.

253. It would also be a great advantage if a cooperative industrial colony could be established in which the main workshops of the induscos could be located. At present they are all short of accommodation.

254. A few special needs of individual cooperatives have also to be met. The Pashmina Cooperative, for instance, needs assistance to enable it to weave its own pashmina instead of having to buy it from middlemen. The Wood Çarvers' Cooperative similarly needs improved tools (especially improved saws). And all cooperatives need continuous design advice.

255. The Indian Cooperative Union has recently appointed a resident organiser to help the cooperatives improve design and workmanship and produce goods according to specified quality standards and delivery schedules. As a result some improvement is beginning to take place in these respects.

Chapter 4

SECTION (B)

256. The foregoing summary of the available information about handicraft cooperatives in different states clearly shows that there are very few well-organised and successful cooperatives at present. A systematic effort to introduce cooperative organisation in handicrafts has yet to be made.

257. All over the country handicraftsmen are acutely conscious of the fact of their exploitation by the middlemen, as also of the fact that their condition cannot be improved as long as they continue to depend on them for marketing and finance. It should be easy to canalize this consciousness into a constructive effort on their part to help themselves on a cooperative basis. But a number of conditions are required to develop the movement in this field.

258. One important condition for the successful development of handicraft cooperatives is that their organisation is undertaken in proper stages.

259. In our opinion it is desirable to proceed as follows.

An attempt should first be made to organise the workers into general associations rather than cooperatives. It is easier to introduce cooperation if corporate consciousness has first been created through the organisation of workers' associations. Suitable leaders for cooperatives can then be found from among the workers themselves.

260. When cooperatives are started, they should concentrate in the beginning only on the supply of standard materials or the marketing of standard products at reasonable prices. Production should be undertaken on a cooperative basis only after a measure of success has been attained in these tasks.

261. In most crafts cooperatives cannot be organised without the cooperation of the "master craftsmen".[1] They can be persuaded more easily to join marketing cooperatives than production cooperatives. For they are anxious to free themselves from dependence on the merchants, but they are equally anxious to run their production units independently. They can also pool together some resources for joint marketing which the workers cannot.

1 This suggestion may apparently seem to be inconsistent with the nature of a cooperative. But in view of the prevailing conditions we are convinced that in most places handicraft cooperatives can succeed only if the cooperation of mastercraftsmen is enlisted. They have the necessary technical competence and influence over the artisans. And, unlike the merchants, they are not "exploiters" in most places; they are only more experienced artisans working as instructors-cum-foremen-cum-managers of small shops with earnings only slightly higher than those of ordinary workers.

INDUSTRIAL COOPERATIVES IN INDIA

as in June, 1952

State[1]	Textiles	Ivory	Pottery	Copper alloys Brass	Toys and Dolls	Wood	Bamboo, straw, etc.	Gold and Silver	Horn, Bone, Conch Shell	Papier Mache	Leather	Miscellaneous	Total
	Craft Group												
Ajmer ...	31	...	...	...	...	...	...	...	...	...	...	19	50
Assam ...	1	...	...	1	...	...	...	...	...	...	..	3	5
Bhopal ...	4	...	...	...	...	1	...	...	...	...	...	...	5
Bihar ...	131	...	...	...	...	...	...	...	...	...	6	80	217
Bombay ...	479	...	12	13	...	66	28	...	...	...	184	466	1248
Delhi ...	12	...	...	3	2	1	1	1	...	...	5	102	127
Himachal Pradesh ...	...	...	...	...	...	...	...	...	...	...	...	16	16
Hyderabad ...	150	...	...	...	...	...	...	...	...	...	9	29	188
Jammu & Kashmir ...	2	...	...	...	...	2	...	...	...	1	...	2	7
Madhya Bharat ...	40	...	...	...	...	...	...	...	...	...	3	7	50
Madhya Pradesh ...	242	...	...	...	...	...	...	...	...	...	...	...	242[3]
Madras ...	1000	...	12	31	5	7	39	...	...	...	10	1998	3102
Manipur ...	3	...	...	...	...	...	...	...	...	...	...	7	10
Mysore ...	4	...	...	...	...	...	...	...	...	...	4	13	21
Orissa ...	134	...	...	2	...	1	...	1	1	...	6	52	197
PEPSU ...	41	...	...	...	...	...	...	...	...	...	...	2	43
Punjab ...	...	...	...	...	...	...	...	...	...	...	...	274	274[3]
Rajasthan ...	235	...	...	...	...	...	...	...	...	...	39	17	291
Saurashtra ...	57	...	...	3	...	...	...	...	...	...	19	10	89
Travancore-Cochin ...	61	1	1	1	...	3	17 including Rattan goods, toys.	1	6	...	1	25	117
Tripura ...	...	...	...	...	...	...	...	...	...	...	...	9	9
Uttar Pradesh ...	671	...	1	3	...	2	...	...	...	...	41	19	737
Vindhya Pradesh ...	...	...	...	...	...	...	...	...	...	...	...	5	5
West Bengal ...	942	...	6	24	2	4	3	...	5	...	11	80	1077
Total ...	4240	1	32	81	9	87	88	3	12	1	338	3235	8127

1. Andhra, Bilaspur and Cutch had no induscos. Coorg had only 1 Beekeeping Cooperative.
2. The figures relate to the undivided Madras State.
3. Breakdown not available.

(Source : Journal of Industry and Trade)

262. It is only through the prior introduction of cooperative marketing that the structure of production can be altered. Craftsmen would be spontaneously willing to undertake cooperative production if the success of cooperation has first been demonstrated to them in the field of marketing. Also, successful marketing operations would have given them some resources to venture into cooperative production.

263. If and when production cooperatives are organised, we would again suggest that they should, in the first instance, undertake only the preliminary processing of raw materials and/or the final finishing processes. In other words, they should function as "common facility cooperatives" performing some of the crucial processes which can be more efficiently and economically carried out on a joint basis. Complete manufacture should be undertaken only at a later stage when sufficient success has been attained in rendering a few common services.

264. The success or failure of the first cooperatives established in any handicraft is a matter of crucial importance. If they succeed they blaze a new trail and make it possible to build up a new organisational structure. If they fail, they leave behind an atmosphere of cynicism, which, added to the natural conservatism of the artisans, makes it extremely difficult to set up new cooperatives. The cynicism is especially acute where the failure is due to group rivalries—often political—between leading organisers (who are in most cases non-working middleclass sympathisers) or where the sloth and rigidity of governmental machinery cause undue delays and difficulties in registration, receipt of assistance and so on.

265. Moreover, the first cooperatives have to struggle against heavy odds: a rigid network of established institutions, old habits of thought and action and the hostility of middlemen. Middlemen, who naturally are not favourably inclined towards the establishment of cooperatives, resort even to unfair practices in order to prevent their growth. Pressure may be exercised in many ways. Work might be withheld from artisans joining cooperatives or discrimination may be exercised against them in making advances and payments and in imposing fines, deductions etc. There may be even be deliberate price manipulation.

266. In the circumstances, new cooperatives formed by workers who are so completely in the grip of middlemen for their subsistence, cannot be expected to stand on their own legs unless they receive very strong financial assistance and organisational guidance to enable them to tide over the initial period of conflict and difficulties.

267. In view of the paucity of available funds and good organisers, we suggest that, to begin with, not more than one cooperative project should be started in a handicraft in any town or group of villages where one or more handicrafts are localised.

268. We visualise that every state should undertake a Pilot Handicraft Cooperatives Programme in which a strictly limited number of pilot cooperatives are organised in important handicrafts in selected areas. The following list indicates the crafts and areas (in some of the states) in which pilot cooperatives might initially be organised. In some of these areas cooperatives already functioning with reasonable efficiency might be included in the Pilot Cooperatives Programme.

State	No. of Pilot Co-operatives Suggested	Industry	Area
Andhra	4	Dyeing and printing	Masulipatam
		Carpets	Ellore
		Toys	Kondapalli
		Lacework	Naroapur
Assam	I	Bell-metal	Barpeta
Bihar	I	Dyeing and printing	Bhagalpur
Bombay	7	Dyeing and printing	Ahmedabad
		,,	Bombay
		Brocades	Surat
		Pottery	Bombay
		Leather art goods	Bombay
		Zari	,,
		Copper artware	,,
Delhi	4	Ivory	Delhi
		Zari	,,
		Canework	,,
		Dyeing and printing	,,
Hyderabad	4	Carpets	Warrangal
		Brocade	Aurangabad
		Bidri	Bidar
		Nirmal	Hyderabad
Kashmir	5	Pashmina	Srinagar
		Carpets	,,
		Woodcarving	,,
		Papier Mache	,,
		Chain stitch	,,
Madras	6	Dyeing and printing	Madras
		Carpets	Salem
		Carpets	Wallajapet
		Woodcarving	Madura
		Mats	Pattamadai
		Leather art goods	Madura
M. Bharat	I	Dyeing and printing	Jawad

State	No. of Pilot Co-operatives Suggested	Industry	Area
Mysore	5	Carpets	Bangalore
		Woodcarving & Ivory	Mysore
		Sandalwood	Shimoga
		Inlay work	Mysore
		Lacquer work	Chennapatna
Orissa	3	Horn articles	Parlakemedi
		Bell metal	Bhubhaneshwar
		Filigree	Cuttack
Rajasthan	4	Dyeing and printing	Jaipur
		Carpets	Jaipur
		Ivory	Jaipur
		Brass artware	Jaipur
Saurashtra	2	Dyeing and printing	Junagarh
		Dyeing and printing	Rajkot
T & Cochin	4	Ivory	Trivandrum
		Horn articles	,,
		Mats	Chittur
		Woodcarving	Trivandrum
UP	9	Dyeing and printing	Farrukhabad
		Carpets	Mirzapur
		Carpets	Bhadoi
		Brocades	Banaras
		Pottery	Khurja
		Toys	Banaras
		Woodcarving & Inlay	Saharanpur
		Brass artware	Moradabad
		Brass utensils	Mirzapur
W. Bengal	7	Dyeing and printing	Calcutta
		Pottery	Calcutta
		Bell Metal	Vishnnpur
		Conchshell-work	,,
		,,	Calcutta
		Leather goods	Calcutta
		,,	Bolepur

269. It is not implied, of course, that more cooperatives should not be allowed to exist in the same or other crafts or areas even if there is sufficient voluntary enterprise. But the intention is that the mere multiplication of nominal, unsuccessful units should not continue to be regarded as an index of development. The available resources in men and money should be concentrated on making a few pilot cooperatives function effectively rather than creating a number of weak and ineffective units. As an ILO study says,

"forming cooperative societies for the sake of statistics is bad business, for their failure has the effect of discouragement and makes the task of beginning again far more difficult."[1]

270. The pilot cooperatives should be marketing-cum-production cooperatives. They should start with marketing on behalf of independent producer members and subsequently take up joint production when feasible.

271. As marketing units, they should sell their products directly either

(*a*) at their local depots or

(*b*) to state emporia or consumer cooperative stores or private retailers in other towns.

272. It has been suggested by the Ford Foundation's International Planning Team for Small Scale Industries that a marketing cooperative "should never buy from its producer-members. It should accept members' goods on consignment and sell them." For reasons indicated in the previous chapter, we are in principle opposed to consignment purchases and sales by handicraft marketing agencies except for short periods, in the case of new dealings. Accordingly, we feel that pilot cooperatives must make most of their purchases outright and pay for them promptly.

273. The pilot cooperatives should be effectively assisted by the government in every way. They should be furnished technical advice and improved tools and machines from the government's technical institutes and extension centres. They should be continuously supplied new designs from the design sections of Government Art Schools free of charge, or, assisted to employ their own design specialists. They should be given preferential purchase orders from government departments, the Cooperative Marketing Federations and the Central and State Emporia. They should invariably be asked to join Quality Control schemes of the State Governments where they exist. And they should charge fair prices from the consumers within the limits fixed by the Quality Control authorities and give fair wages and fair terms to the artisans.

274. As regards the membership of these cooperatives we are not in favour of the policy (now pursued in some states) of organising cooperatives out of apprentices newly trained in government training centres. It places the new cooperatives under a double handicap : they have in the first place to struggle for their existence as cooperatives in competition with private trade ; if on the other hand, their members have no experience they cannot produce goods of satisfactory quality at competitive costs. It is, therefore, desirable that the members of pilot cooperatives should either be mastercraftsmen or at least skilled craftsmen with some years' experience so that they may have a fair chance of holding their own in the market.

1 Introduction to Cooperative Practice, 1952, p. 30

275. So far as the financing of this programme is concerned we draw attention to the following recommendations of the Cooperative Planning Committee :

"Industrial Cooperatives will require finance for fixed capital and working expenses. Eventually, both requirements should be met by the members from their own funds accumulated with the co-operatives. We, however, realize that, at present and for a number of years to come, financial assistance, for both purposes, will have to be given by an outside agency. We, therefore, recommend that for the purpose of fixed capital, like buildings and expensive capital goods, the State should give subsidies and advance loans at the Bank Rate of interest repayable in twenty years. These subsidies and loans should, we suggest, be given through the provincial and central co-operative banks or through the Cooperative Industrial Banks, the establishment of which we propose.[1]

"So far as the funds for raw materials and working expenses are concerned, different practices are followed in different parts of India. In Madras, the Government guarantees the losses which may be incurred by the central cooperative banks which are the financing agencies there and provides the cost of the necessary capital equipment. The Bombay Government have adopted a different method, although it is only a temporary war-time measure ; it provides what is called a 'guarantee' fund to meet the expenditure on fixed capital and to serve as a margin for loans for raw materials and working expenses. This 'guarantee' fund is not repayable to government so long as the advances taken from the cooperative financing agency remain outstanding. This system ensures that the ordinary banking practice of stocks being hypothecated with the bank or pledged to it, and stored under its custody in a warehouse over which it has control will continue to be followed. We recommend that similar guarantees should be given by all provincial governments, until such time as the industrial cooperatives are able to find their own funds. The marginal advance by and the cost of the guarantee system to a Government will be comparatively small.

"In both provinces, Madras and Bombay, the financing of short-time needs of industrial cooperatives is done by cooperative banks. We recommend that this practice should be followed wherever possible, and that the supply of funds to industrial cooperatives for raw materials and working expenses should be made by the provincial and central banks, where they exist and have sufficient resources.

1 Report of the Cooperative Planning Committee appointed by the Government of India on the Recommendation of the Fourteenth Registrars' Conference—p. 88.

"At those places where these banks do not exist or do not possess sufficient resources, or it is considered desirable to do so for any other reason we recommend that separate Cooperative Industrial Banks should be established exclusively to look after the financing of industrial cooperatives.[1]

"We repeat what we have stated earlier that industrial cooperatives should eventually find their own funds. To achieve this end, we recommend that they should build up a fund from their profits for two purposes, viz.,

(i) to repay loans and advances taken from government for fixed assets or for use as a margin for working expenses, and

(ii) to provide for working expenses, replacement and expansion.[2]

"We would like to refer here to the eligibility of provincial cooperative banks to borrow money from the Reserve Bank for financing industrial operations or the marketing of industrial products ...We recommend that Section 17 (2) (a) of the Reserve Bank Act should be so amended as to empower the Bank to give financial accommodation to provincial cooperative banks for advances and loans to industrial cooperatives upto one year."[3,4]

"With the amendment of the Reserve Bank of India Act in 1953, state cooperative banks can obtain loans from the Reserve Bank for financing the production and marketing activities of approved cottage and small-scale industries, provided the repayment of he principal and the payment of interest on such loans is guaranteed by the State Government concerned. We have already referred to this facility in an earlier chapter. The industrial cooperative societies have therefore access to the Reserve Bank in the last resort and need not be hampered by lack of finance."[5]

276. Thus the main source of finance for handicraft cooperatives must be the cooperative banks. It is to be hoped that as a result of the measures now being taken by the government to reorganise the cooperative credit structure of the country larger funds will flow to these cooperatives through the cooperative banks.

1 Report of the Cooperative Planning Committee appointed by the Government of India on the recommendation of the Fourteenth Registrars' Conference—88-89,

2 Ibid p. 89.

3 Ibid p. 90.

4 Section 17-(2) of the Reserve Bank of India Act, which relates to the discounting of bills arising out of bonafide commercial or trade transactions and which was applicable to provincial cooperative banks before has now been extended to the cooperative banks also. And the period of accommodation from the Reserve Bank specified in Sec. 17 (7) (b) has been extended from 9 months to 15 months. The condition placed by the Bank that all the loans should be repaid by a fixed date irrespective of the maturity of the bills has also been removed. (Review of the Cooperative Movement in India, 1948-50, Bombay, 1952, page 187.)

5 Report of the Committee on Finance for the Private Sector p.91.

277. Increased government loans and grants under the State Aid to Industries Acts and the establishment of the State Bank of India are also expected to have the same effect.

278. But in addition to the funds available from these normal sources of finance, we suggest that the All India Handicrafts Board should directly give special development grants for the pilot cooperatives in the initial period. The Ford Foundation's International Planning Team for Small Scale Industries has recommended that only loans and no grants should be given. We would not like to lay down any such injunction. In our view development grants will continue to be necessary for a long time until cooperatives can stand on their own feet financially and competitively.

279. Believing firmly in the deofficialisation of the cooperative movement, we recommend that the organisational leadership for pilot cooperatives should come preferably from nonofficial organisations interested in promoting the cooperative movement where they exist. This would keep them free from the wellknown difficulties which appear in the working of officially-sponsored cooperatives. In the actual execution of the pilot cooperatives programme, nonofficial cooperative unions, wherever they exist, should be encouraged and enabled to play an important part.

280 The importance of the sound training of organisers and the education and psychological preparation of workers cannot be overemphasised. In far too many cases cooperatives are registered without full awareness on the part of members of the nature and purpose of cooperatives. The inspectors of the cooperative department who are now in charge of promoting new societies are perhaps too overburdened to do this preparatory work effectively; or else, they do not have a strong faith in cooperation themselves so that they cannot inspire sufficient confidence among the workers in a radically new type of organisation. This, in turn, is due to the fact that facilities for training in cooperation are very inadequate. In some states the cooperative departments arrange short training courses only for inspectors, auditors and supervisors; in a few, subordinate personnel are also given training. Officers are trained only at the Institute at Poona.

281. The Central Committee for Cooperative Training has now drawn up an integrated scheme for the training of cooperative personnel from all parts of the country. Under this scheme officers would continue to be trained at Poona, intermediate personnel at regional centres to be set up for the purpose, and subsidiary personnel at schools to be set up in all states.

282 It is to be hoped that this will alleviate the scarcity of personnel. But much depends on the kind of training imparted. A mere routine training in the history of cooperation, cooperative law, accounts etc. is, of course, necessary, but not sufficient; something more is needed. We should have a corps of organisers who have sufficient idealism, personal integrity and qualities of leadership to be able to win the confidence of the workers, and at the same time sufficient commercial realism to be

able to secure business success. Moreover officers and organisers who are to be responsible for the development of industrial cooperatives must be given an intimate knowledge of the special production and marketing problems of the industries concerned.

283. Where nonofficial cooperative unions exist, they should be assisted by the government to have their own independent training programmes.

284. In the present situation cooperative leadership will have to come from outside the ranks of the craftsmen themselves, but the leaders must share with craftsmen as much responsibility as possible and in the due course entrust their affairs entirely to persons belonging to their own ranks. We feel that one source from which this leadership can come is a growing class of educated and enlightened businessmen who have the necessary commercial knowledge as well as progressive sympathy for the workers. We came across a number of such businessmen in the course of our tour. At one or two places, where businessmen of this type have offered to look after cooperatives, they have functioned with considerable success. Thus if the nascent idealism of the younger generation of businessmen is mobilised for this purpose a network of successful cooperatives may be established in the field of handicrafts.

285. Another problem which requires serious consideration is that of administrative supervision of the industrial cooperatives. It is an open secret that at present in many states a very unhealthy rivalry exists between the Industries and the Cooperative Departments of the State Governments regarding the control of industrial cooperatives.

286. This question, it may be recalled, was considered by the Cooperative Planning Committee. The Committee wrote :

> "At present, administrative control over these industries is exercised, in most provinces, partly by the Department of Industries and partly by the Department of Cooperation. This arrangement suffers from the common defects of dual control, viz., lack of full attention for fear of trespassing on the other departments' field, uncoordinated treatment of inter-related problems, weakening of responsibility, and departmental jealousy and friction. There is little to recommend the continuance of this arrangement and we strongly suggest that it should be discontinued.[1]
>
> "If one single department is to be placed wholly in charge of small-scale and cottage industries, one of the three courses may be followed. The charge may be given wholly to the Industries Department or the Cooperative Department, or a new Department may be created exclusively for this charge. The Industries Department has been set up principally to look after the interests of large-scale industries and their labour establishment, and to

1 Report of the Cooperative Planning Committee appointed by the Government of India on the recommendation of the Fourteen Registrars' Conference—pp 86-87.

administer special acts like the Factories' Act, the Boilers' Act, etc. From the nature of its duties, it is largely concerned with activities in urban areas, and has few points of contact with rural areas and rural population. The outlook of the Industries Department is, therefore, preponderatingly urban, and it is inadvisable to place on it responsibilities for the satisfactory discharge of which long and intimate knowledge and experience of rural problems and active sympathy with rural population are pre-requisite conditions. Besides, post-war planning has given a large place in its schemes to the industrial development of India. These schemes will make a very large call on the time, attention and resources of the Industrial Department. This Department will not, therefore, have the necessary qualifications, equipment or time to look after the many-sided activities which, we propose, should be undertaken in order to improve rural conditions by the organisation of small-scale industries.[1]

"The Cooperative Department possesses the necessary qualifications for undertaking this responsibility ; it has a rural background ; it has long experience of working in rural areas ; it is the only Department which is well versed in the principles and practices of cooperative technique. It is in much the best position to study the potentiality of rural industries both on the sides of supply and demand and to organise them either on cooperative or individual lines. During this war, it has been enabled to acquire considerable experience of rural industries by the actual execution of ordres for many of the products of these industries. We, therefore, recommend that the Cooperative Department should be placed in charge of fostering the growth of these industries on the lines proposed by us.

"We are, however, conscious of the fact that on account of the immensity of the burden of responsibility which would be placed on the shoulders of this Department by the acceptance of our recommendations in other chapters of this Report the Registrars of Cooperative Societies in some Provinces may find it impossible to devote to all of them that personal attention and to give that personal guidance which alone will justify their being placed under one Head. Even the appointment in these provinces of a Joint Registrar exclusively for rural industries will not in such cases solve the difficulty as it will not dispense with the necessity of the Registrar's remaining in personal touch with the problems and affairs of this section of his Department. We are of the opinion that an arrangement like this may put too much strain on the

1 ibid, 1.

Registrar and his Department to the serious detriment of the interests of rural industries and, consequently, of rural welfare. We, therefore, recommend that in these provinces *a separate Department* should be created exclusively to look after the industrial development of rural population generally and the development of small scale and cottage industries, whether in rural or urban areas, in particular. The Head of this Department should be of the same status as the Registrar of Cooperative Societies and called the Registrar of Industrial Cooperative Societies and Director of Small Industries. The officer selected for this post should have had adequate experience of cooperative departments. Where, however, the Registrar of Cooperative Societies undertakes the organisation of small and subsidiary industries on the lines recommended by us, he should be assisted with all the staff recommended by us."[1]

287. We do not think that a separate department is needed to look after industrial cooperatives. The opening of a new department will only make the problem of interdepartmental coordination more serious. But we agree with the Cooperative Planning Committee that the responsibility for fostering the growth of handicrafts should be borne by the Cooperative Department. This would imply a clear acceptance of the principle that handicrafts must be reorganised on a cooperative basis. The Cooperative Departments should, however, have a special Registrar for Industrial Cooperatives, as in Bombay, exclusively responsible for the development of industrial cooperatives.

288. Moreover, it is desirable that the development of the marketing of cottage industries products should be the responsibility of the same authorities who are responsible for developing cottage industry production. This means that the marketing of cottage industries products also should be generally under the Cooperative Departments.[2]

289. Thus, while the Cooperative Department would be primarily responsible for the development of cottage industry cooperatives and marketing, the Industries Departments will continue to bear responsibility for the development of large scale industries and for the overall coordination of industrial development as between the large scale and the small scale sector.

290. A reallocation of responsibilities as suggested above will not improve matters in itself. It is very necessary that the two departments join in a spirit of cooperation in furthering the industrial cooperative movement rather than waste their energy in fruitless controversy. If they cooperate there is enough work to be done by both of them for extending and improving their service to cottage industries.

1 ibid, pp. 87-88.

2 It has already been suggested in the previous chapter that the control of the marketing organisations should in due course be transferred to Cooperative Marketing Federations.

INTER STATE TRADE

291. THE POTENTIAL FIELD FOR THE DEVELOPMENT of interstate trade in handicrafts is very extensive. There are a large number of crafts whose market is at present restricted, for historical reasons, to the immediate neighbourhood of the production centres or a few cities but can be extended to other areas if an adequate marketing effort is made. Many of them can survive only if they seek outlets in distant areas of the country, for the patronage of local aristocracies which has so far kept their custom confined to small areas is no longer available.

292. The development of interemporium trade is one of the best and quickest means of promoting interstate trade in handicrafts. If public emporia in all states enter into mutual commercial arrangements and begin to sell handicrafts from all states, a strong integrated all-India marketing system can come into being. This network will not only increase the volume of interstate trade in handicrafts by its own turnover but also indirectly bring about an enormous expansion in private interstate trade by creating new markets in the country for handicraft goods hitherto confined to the producing states only. Thus a general broadening of the handicraft market would take place to the advantage of the handicrafts of all the states.

293. The display of goods produced in different states in every emporium would also be an excellent means of enlarging the tourist market. A large number of tourists who visit the country for short periods and are unable to cover more than a few states would be able to see in every emporium a representative selection of the handicrafts of all Indian states.

294. Many emporia whose turnover at present is very small may find it possible to increase it if the range of goods stocked and displayed by them is widened. In many places where the incidence of overhead costs is very high because of the low level of sales, this would be a very welcome increase.

295. Moreover, interemporium trade would encourage healthy competition among the producers of different states in respect of cost, quality and design.

296. Since its establishment in 1952 the All India Handicrafts Board has been persuading the states to stock and sell the products of other states in their emporia on a reciprocal basis and refrain from opening their own emporia in other state capitals. It has also offered financial assistance to them for the expansion of public emporia for reciprocal trade.

297. So far only the emporia in Delhi, Bombay and Madras have been receiving and selling goods from other states. Other states have accepted the proposal for reciprocal trade in principle.

298. Some governments, namely, UP, Rajasthan, Punjab and Kashmir were initially unwilling to enter into reciprocal trade arrangements and opened branches of their own emporia in other states contrary to the policy of the All India Handicrafts Board.

299. One reason for the reluctance to handle goods from other states has been the lack of finance for meeting additional overhead expenses. But so far as this difficulty is concerned the All India Handicrafts Board has already offered financial assistance. Moreover, it should be realised that the advantage of interemporium trade is mutual. No state obliges another by selling in its emporium articles produced in other states, for it also at the same time expands its own sales in other states. Thus in principle the additional overhead expenditure due to the sale of goods imported from other states should be treated by the selling emporia as if it is due to an expansion of their own sales which in fact would be taking place at the emporia in other states. Any attempt to calculate and charge separately the extra overhead costs of marketing the goods from every state would be very impracticable and defeat the very purpose of reciprocal trade.

300. The fear has also been expressed that goods produced in other states may compete with locally produced goods and adversely affect their market. But this possibility should not be given an exaggerated importance. Some healthy interstate competition in prices, quality and design standards is very desirable. It will provide the necessary incentive to the producers in all states to reduce their costs and improve their designs and workmanship. Industries which wish to develop large distant markets should not fear competition overmuch otherwise their markets would continue to remain restricted and eventually be lost.

301. At the Marketing Conference convened by the All India Handicrafts Board at Puri in January 1955, the terms of interemporium trade were considered in detail and the following model terms of agreement for reciprocal trade between emporia were decided upon :

1. Each agreement should be for a period of at least one year, terminable on three months' notice on either side.
2. Freight should be paid by the despatching emporium, as also packing and insurance charges. Invoices will be F.O.R. destination, to the railway station nearest to the receiving emporium. The receiving emporium will pay for the cost of transport from the railway station to the emporium.
3. Transit losses should be covered by despatch at railway risk and by insurance.

4. The receiving emporium should be responsible only for the cost of any damage while the stock is in its custody attributable to negligence or careless handling. Normal wear and tear, including shopsoiling, should not be a charge upon the receiving emporium.

5. Goods received on consignment and found unsaleable may be returned by the receiving emporium to the despatching emporium within a period to be agreed between the parties. Such period may vary for different items of goods, but should not in any case be less than three months.

6. When unsaleable goods are returned, the packing charges, insurance and freight (upto nearest railway station) should be paid by the emporium which is returning the goods.

7. Goods will only be despatched on the indent of the receiving emporium. Emporia are expected to take a liberal view in indenting for products of other states, particularly when these are supplied on the consignment basis.

8. Display and selling arrangements will be completely within the discretion of the receiving emporium, the necessity for improving display being noted.

9. Sale proceeds should be remitted by the receiving emporium monthly to the despatching emporium, together with a monthly sale statement.

10. Disputes between emporia shall be settled by an assessor appointed by the Board. In case parties do not agree with the settlement by the assessor, the matter shall be referred to an arbitrator or arbitrators appointed by the Board.

It was also decided that :

(*i*) The wholesaler's maximum margin (*i.e.*, the difference between the price quoted by the despatching emporium F.O.R. destination and the price paid to the producer) should be 6¼ percent on outright sales and 12½ percent on consignment sales.

(*ii*) The retailer's margin (*i.e.*, the difference between the above F.O.R. price and the price charged to the consumer by the receiving emporium) should not exceed the following limits :

(*a*) 12½ percent when goods are received on consignment.

(*b*) From 12½ to 25 percent on goods purchased outright.

302. The percentage of gross earnings to turnover (only in respect of goods purchased outright) should not exceed 18¾ percent for any emporium.

303. It is hoped that all the states will make the fullest use of these terms and the assistance offered by the All India Handicrafts Board to develop interemporium trade as much as possible.

304. The decision that "goods will only be despatched on the indent of the receiving emporium" will prevent unnecessary stocking of goods sent by despatching emporia without adequate regard to their saleability in particular towns. But it is likely that advantage may be taken of this clause by the indenting emporia for keeping the purchase and sale of goods from other states to a minimum. Since the initiative for ordering goods is left entirely to the selling emporia they may be too conservative to take active interest in promoting the sale of goods from other states. But there is no remedy for it except a common willingness on the part of all emporia to sell goods from other states as vigorously as local products. It should be obvious that the more effectively they sell goods from other states the greater will be the expansion in the sale of goods produced in their home states.

305. For the time being it is assumed that most of the interemporium business would be conducted on a consignment basis, but we would like to suggest that under any agreement between two emporia, goods should be kept on a consignment basis for a period not exceeding one year from the date on which the agreement comes into effect. After one year all transactions should be on the basis of outright purchase except in respect of new goods kept for trial for short periods. We think that consignment purchases and sales, though financially convenient for the selling emporia, are likely to be associated with a stepmotherly attitude towards the goods of other states, which is not conducive to the growth of interemporium trade. Besides, consignment transactions definitely involve greater overhead expenses in respect of accounting and stockkeeping.

306. It is a natural corollary of the development of organised interemporium trade that individual states should not attempt to establish their own sales depots in other states. The policy of opening depots in other states where public emporia already exist or are about to be started would be inconsistent with the policy of creating a single harmonious structure of public marketing organisations all over the country. The potential sales of handicraft goods of every individual state in the towns of other states are likely to be too small to justify the establishment expenditure on separate depots. Besides, it would mean unnecessary duplication and unhealthy competition. There is no reason why the experience of marketing agencies already existing in state capitals should not be fully drawn upon by other states intending to develop markets in those cities. The products of other states can be more econcmically marketed in bigger emporia already functioning. They are likely to attract larger custom in old showrooms than in small independent depots. It is gratifying to note that the Governments of Punjab and Rajasthan who have recently opened depots in Delhi have agreed, in line with the policy of the All India Handicrafts Board, not to establish more depots without consulting the All India Handicrafts Board. The position of the numerous depots of the Kashmir Government Arts Emporium all over the country has already been discussed in Chapter 3. It may be hoped that the Governments of Kashmir and UP would also fall in line with the common policy.

307. Two special problems connected with the promotion of interstate trade may now be discussed, namely, the problem of freight rates and the sales tax:

308. Most handicraft goods travel either by post parcel or passenger train. Passenger freight rates in our country are such that the incidence of freight in the selling prices of handicrafts is substantial. The following table—showing freight costs incurred on a random assortment of consignments received by the Central Cottage Industries Emporium, New Delhi, from different parts of the country—indicates that it ranges from 1 percent to as high as 4 percent on brassware from Moradabad, 5 percent on leather goods from Bombay, 7 percent on printed saris from Ahmedabad, 8 percent on mats from Trichur, and 12 percent on cane handbags from Madras.

Station of desp. (all parcels received at Delhi)	Commodity	Value of goods in Rs.	Freight	Percentage of column 4 to 3	Remarks
1	2	3	4	5	6
		Rs.	Rs. A. P.		
1. Bombay	Printed Saris	5,428	29 6 0	0.92	P[1]
2. Tanjore	Artware	1,059	6 2 0	0.66	P
3. Trichur	Mats	145	7 14 0	8.3	P
4. Ahmedabad	Printed Saris	88		7.3	PP[2]
5. Madras	Handbags (cane)	239	29 0 0	12.6	P
6. Poona	Dolls	1,171	23 0 0	2.0	P
7. Farrukhabad	Prints	627	4 8 0	1.6	P
8. Bombay	Leather Goods	547	18 0 0	5.2	P
9. Cuttack	Handloom Articles	272	6 7 0	3.68	PP
10. Moradabad	Brassware	681	7 13 0	4.1	P

309. It seems to us to be unrealistic to ask generally for a "50 percent reduction in freight (on handicrafts) as in the case of handloom products" as the All India Handicrafts Board decided at its Puri Conference in January 1955. It would be more fruitful to ask for reasonable concessions on passenger freight rates on specific handicraft articles which do not belong to the group of very high priced luxuries and the burden of freight on whose prices is sufficiently heavy to affect the volume of sales in distant internal and external markets. A beginning may be made with a request for concessions on the items mentioned above. Further requests may follow when the All India Handicrafts Board has collected detailed data about freight costs of the interstate movement of specific handicraft goods between different trading points in the country.

310. Parcel post rates in India are uniform regardless of the distance involved. And the maximum permissible weight is only 25 lbs. In other countries, as in the USA

1 Passenger Train.
2 Parcel Post,

for example, parcel post rates are based upon weight as well as distance and are calculated on a zonal basis; and the maximum permissible weight is 70 lbs. The possibility may be examined of raising the maximum permissible weight in India and introducing a zonal rate system.

311. The sales tax imposed by the State Governments was almost everywhere a subject of complaint by handicraft dealers. The problem was recently examined by the Taxation Enquiry Commission. The Commission concluded that "inter state sales tax should be the concern of the Union;" and the rate on interstate transactions should uniformly 1 percent.[1] Since most of the difficulties of handicraft dealers are due to the diversity of rates prevailing in different states, the application of a uniform rate for interstate transactions by the Central Government would bring much relief to handicraft dealers.

312. Since the question affects not only handicrafts but a large number of trades it is difficult, considering the growing need for revenues for development, to suggest a general exemption of handicraft products from the imposition of the sales tax, except in states which can financially afford to grant it.

313. Some states have already exempted handloom goods and products of the All India Spinners Association (and in Bombay, all 'cottage industries products') from the sales tax.

314. Handicrafts in general cannot easily be left out of the scope of the sales tax by all the states. But there may be a strong case for exempting (from the tax) a few selected handicrafts as a measure of special development assistance.

A NOTE ON COMPETITION AND PROTECTION

315. It is generally supposed that handicraft goods are not subject to the competition of mill-made goods because of the high degree of artistic skill required in their manufacture. From this belief the corollary is drawn that handicraft goods do not require any positive protection against competition. Now, while it is true that machines cannot produce goods of the same artistic quality and range as the personal skill and creative imagination of the craftsman a complacent belief in the immunity of handicrafts to the competition of mill-made goods is erroneous for several reasons. In any case it needs several qualifications.

316. Firstly, though mill-made goods may not compete with handicrafts directly, their indirect effect on the size of the market for handicraft goods is enormous. Machines may not produce exactly the same goods as handicrafts, but they do produce similar goods for the same uses. Machine-made goods may not have the same intricate and ingenious artistry as handicrafts, but they have sufficient beauty and variety to charm the modern consumer away from handicrafts.

1 Report Vol. III, p. 54, 57.

317. Secondly, modern industrial designing for mechanical mass production has developed so much that the design-range of machine made goods by no means compares unfavourably with that of handicrafts.

318. Thirdly, developments in modern technology have made it possible for machines to produce on a large scale and yet in a great variety of designs, articles hitherto considered produceable only by the human hand.

319. Finally, the emphasis on utility, cheapness, simplicity of design, smoothness of finish and standardised specifications in the taste of modern consumers gives machine-made goods considerable advantage over handicrafts.

320. In some handicraft lines there is clear evidence of indirect competition from machine-made substitutes. Thus :

1. Machine-made floor covering industries are offering increasing competition to the hand-woven Indian carpets. The size of the pile carpet market is shrinking due to the availability of an enormous variety of machine-made floor coverings.
2. Machine printing is offering competition to hand-printed textiles.
3. Aluminium and stainless steel utensils are competing with brass and bell-metal utensils.
4. Synthetic fibres like rayon are competing with real silk products.
5. Glass and plastic articles are competing with ivory bangles, hand-made toys, smokers' articles, metal containers, bags, wallets, table-linen and pottery.
6. Machine embroidered cottons, silks and woollens are beginning to compete with hand-embroidered goods.
7. Machine-made crockery is competing with hand-made pottery.

321. Temporary demand booms in particular areas should not make us forget this overall long term trend. Imperceptibly but steadily the market for handicrafts is being snatched away by machine-made goods of all kinds.

322. If attention is not paid to this subtle competition and measures devised to protect handicrafts against it we may find that handicrafts are steadily losing ground in spite of all efforts to preserve them.

323. Therefore common production programmes are needed not merely for the benefit of village industries which are directly affected by large scale industries, but also for the benefit of handicrafts whose market is indirectly curtailed by them.

324. We recommend that the All India Handicrafts Board should make specialised studies of indirect competition between handicrafts and corresponding machine industries. Where these studies reveal the need for protective measures the Government

should be requested to adopt them. These might take the form of protective duties, subsidies or reservation of spheres.

325. As a first step we recommend that no further expansion should be permitted in the printing capacity of textile mills in the interests of the hand-printing industry.

A NOTE ON GOVERNMENT STORES PURCHASES

326. A large market for handicrafts can be created if the government consciously re-orient their stores purchase policy in favour of handicrafts. Government can purchase a large number of handicraft articles for furnishing and equipping government houses, offices, institutes, dak bungalows, hostels, guest houses, embassies, etc. :

> Hand-woven and hand-printed textiles for all types of furnishing. Carpets, druggets, durries, and mats as floor coverings. Wood-carved and cane and bamboo furniture and panel screens. Household and office equipment such as : table lamps, standard lamps, lampshades, ash trays, paper weights, flower vases, trays, baskets, bookends, pen knives, writing sets, etc. Art objects for gifts, prizes, trophies and awards.

327. On the recommendation of the 3rd Marketing Conference held at Puri, the All India Handicrafts Board recently adopted the following resolution on the stores purchase policy of the government :

> "The Board notes that a Small Scale Industries Corporation is soon to be set up by Government and this Corporation can be a medium through which Government could purchase its requirements of handicrafts ; also that the Corporation will operate on the basis of a fair cost for the goods instead of on the tender system. The following recommendations of the Conference are thereupon accepted :—

1. The All India Handicrafts Board be represented on the Board of Directors of the Small Scale Industries Corporation.
2. In fixing the fair cost, the average economic rate to a producer cooperative of artisans be adopted as the basis.
3. The Small Scale Industries Corporation effect purchases through apex bodies or organisations of producers and where these do not exist through the Directors of Industries.
4. For the proper and timely execution of orders placed with apex organisations, Directorate General of Supplies & Disposals of Industries, the S.S.I.C. with the co-operation of D.G.S. & D. plan purchases over sufficiently long periods and allow suppliers reasonable time for execution of orders.

5. The D. G. S. & D. and other Government purchasing organisations like Defence, Railways and State enterprises etc., make copies of specifications of various handicrafts products available in easily understandable terms and in sufficient number to apex organisations and Directors of Industries.

6. The suppliers organisations be given adequate time to submit samples after submission of quotations.

7. Where a certain sample does not come up to specifications the supplier organisation be given full details regarding the defects found and also an opportunity to submit alternative samples according to specifications within a reasonable time.

8. Reasonable relaxation from standard quality specifications be allowed in regard to handicrafts products."

328. These measures should go a long way to create a sizeable "state market" for handicrafts.

329. We would only like to suggest that stores purchases of handicrafts can be made with greater facility from public emporia than from apex bodies of producers, for there are not many well-organised apex bodies in handicrafts at present.

Chapter 6

FOREIGN TRADE

330. UNTIL RECENTLY, OUR HANDICRAFT INDUSTRIES used to depend for their existence largely on the support of the old aristocracy of the country, the landed nobility, the princely nobility and officers of the British Government in India. Export was a marginal phenomenon except in the case of a few industries like carpet-making which depended primarily on export. The advent of independence and the consequent decline of the traditional aristocracy has completely altered this situation. Most of the difficulties with which our handicrafts are confronted today are primarily due to this fundamental shift in the demand situation. But it also offers an unprecedented opportunity for the beginning of a new era of revival and growth provided the requisite will and wisdom can be mustered.

331. This shift is also the chief reason for the increasing diversion of our handicraft production to foreign markets. The typical response of the merchants, who virtually monopolise the marketing of handicrafts, to the contraction of local aristocratic demand, has been to turn their attention to foreign markets, especially in countries with high levels of income such as the West European countries, the British Dominions and, above all, the United States of America. This turn has been supported by two factors operating in these foreign markets, namely, the backlog of wartime demand and a greatly increased interest in the East and its arts and crafts. Consequently, almost every one of our important handicrafts has had its postwar export boom.

332. From the government point of view, the need to earn foreign exchange in order to finance the import of capital goods required for development has also made it urgent to explore the prospects of expanding handicraft exports.

333. And in so far as our handicraft products are the symbols of our cultural ethos, their export represents a very natural form of national self-expression in the present period of intense cultural interchange between the nations of the world.

334. But strong and legitimate as these motives are for a vigorous handicraft export drive, it is very important to dispel the widely prevalent notion that since most of our handicraft products are expensive luxury articles and the internal demand for them has dwindled away and must remain insignificant for a long time, our handicraft industries must live almost entirely on export markets. This notion not only determines the present attitude of the mercantile community engaged in this field but also seems to govern much of policy.

335. This view, however, is essentially unsound and unwise. Diversion to exports can only be a very partial and temporary solution of the problem created by the contraction of internal luxury demand. For a longterm solution what is really required is a radical readjustment of the production of our handicrafts in accordance with the basic changes that have taken place in our social structure and the corresponding changes in the structure of home demand. If the export effort is allowed to postpone or prevent this readjustment our handicrafts will always remain exposed to the danger of instability of demand and employment inherent in an undue dependence on foreign markets. Foreign demand is always fickle and fluctuating. But at a time when trade is ramshackled by high tariffs and small quotas, and there is fierce competition amongst the nations of the world for a share in the few large and prosperous markets, the risks of instability are abnormally great. Moreover, while for small countries it may be a desperate, longterm necessity to export as much as possible in order to obtain bare necessities through international interchange, for big countries like India with a large population and an enormous internal demand potential there is no such need.

336. Though, therefore, vigorous efforts should continue to be made to cultivate export markets for handicrafts products, it is not desirable fr om a longterm viewpoint to make our handicraft industries exclusively or unduly depen dent on exports. A sizeable, stable, and dependable demand base for these industries can only be found in the needs of the people of this country. Hence the effort to readapt handicraft production to meet these needs should be as vigorous as the effort to secure foreign markets.

ANALYSIS OF CURRENT TRENDS

337. It is extremely difficult to analyse the trend of our handicraft experts in the absence of full statistics. In the Accounts relating to the Foreign Trade and Navigation of India, handloom piecegoods exports have begun to be separately classified. But the figures of other handicraft articles are combined with those of the corresponding millmade articles and classified in a few broad categories such as silk piecegoods, apparel, hosiery, shawls, haberdashery and millinery, leather goods, toys and sports goods, furniture and cabinetware etc. There is also a vague and undefined category "Works of Art" which includes a good many handicraft products. The figures of the export of some handicraft products are separately available, such as carpets and rugs, canes and rattans, ivory manufactures, horn articles, jewellery, perfumery and brass and bronze manufactures[1].

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1 For some time the Department of Commercial Intelligence and Statistics has been issuing a separate quarterly publication entitled "Exports of Indian Artware and Sports Goods." According to the introductory note given in this publication, "the trade in respect of artware recorded in this publication relates only to the type of articles which has been so manufactured as to give it some artistic value and which is specifically declared as artware in the shipping bills." But no clear definition of artware appears to have been laid down. It seems to have been left to the exporters to determine whether any articles shall be described as artware or not. The statistics in this publication are, therefore, incomplete and unreliable. The figures in it do not tally with the figures under the category "Works of Art" in the General Accounts. Moreover, in this publication, the category "miscellaneous" often includes a high percentage of the total exports. It would thus appear that the whole question of the Customs classification of items which include handicraft goods needs to be carefully re-examined. It is suggested that a small

(Continued on next page)

338. The tables inserted overleaf show the exports of the above mentioned categories of goods during the last five years and the direction of trade during the last two years.

Exports of Indian Handicrafts

Quantity

Commodity	Unit	1949-50	50-51	51-52	52-53	53-54
1. Handloom Piecegoods	.. m. sq. yds.	—[1]	59.77	39.96	54.86	63.40
2. Woollen Carpets and Rugs	... m. lbs.	10.45	14.09	11.59	7.13	9.00
3. Brass and Bronze Manufacture	... '000 cwts.	8.41	20.53	5.52	15.27	23.62
4. Coloured, Printed or Dyed Lungis and Saris	... m. yds.	58.51	6.78	1.37	3.90	1.72
5. Silk Piecegoods	... m. yds.	1.72	0.17	0.30	0.14	0.19
6. Horn Articles	... '000 cwts.	12.03	26.54	29.05	26.00	43.67
7. Woollen Shawls	... '000's	48.07	56.01	39.30	58.78	30.78
8. Canes and Rattans	... '000 cwts.	1.40	6.56	36.04	1.30	6.06
9. Mats and Mattings	... '000 sq. yds.	90.43	80.42	222.16	125.36	162.28

1 Handloom piecegoods separately classified from 1950-51.

(Continued from pre page)

committee consisting of representatives of the Department of Commercial intelligence, handicraft exporters and the four boards dealing with cottage industries should be appointed for the purpose. The quarterly published by the Department of Commercial Intelligence should be converted into a comprehensive publication containing statistics of handicraft exports. The category "artware" may in fact be abolished except for "fine art" pieces which should be described as such. All other articles should be described as handicraft products. To begin with, the revised publication may contain statistics of a selected list of clearly defined handicraft goods aggregate. destinationwise and by places of origin. (See appendix to this chapter for a suggested list of heads under which the statistics may be collected). Later, the list might be gradually extended as other items are clearly defined. The Central Board of Revenue should devise special pro formas to be filled in by exporters to facilitate the compilation of this publication.

Here it may also be suggested that the Department of Commercial Intelligence and Statistics should immediately take in hand a Census of Small Industrial Establishments in India, a scheme for which should be drawn up in consultation with the four cottage industries boards. There is at present a complete absence of reliable all-India figures about the number of production units, investment, output, employment etc. in different kinds of cottage industries. The cause of these industries has seriously suffered for want of this information, for without it any intelligent discussion and formulation of policy is difficult.

Exports of Indian Handicrafts

Value

(Rs. in lacs)

	1949-50	50-51	51-52	52-53	53-54
1. Handloom Piecegoods ...	...	1088.46	916.77	874.02	989.69
2. Woollen Carpets and Rugs ...	330.73	556.31	588.46	279.42	368.61
3. Haberdashery and Millinery ...	81.48	164.33	245.75	254.90	325.57
4. Apparel (excluding hosiery and boots & shoes) ...	38.18	111.22	82.46	163.37	148.57
5. Hosiery ...	79.45	86.37	178.61	98.02	121.77
6. Jewellery ...	0.10	0 56	2.37	24.42	68.05
7. Works of Art ...	20.34	34.19	70.61	52.38	64.18
8. Brass and Bronze Manufactures ...	15.61	26.50	15 53	29.56	32.33
9. Musical Instruments ...	28.48	44.76	34.51	31.94	27.45
10. Perfumery ...	12.69	15.48	17.41	18.91	25.77
11. Coloured, Printed or Dyed Lungis and Saris ..	903.10	82.22	22.57	50.63	19.21
12. Furniture and Cabinet Ware ...	10.28	10.25	14.78	16.60	18.90
13. Toys and Sports Goods ...	7.79	7.75	16.67	19.16	17.74
14. Silk Piecegoods ...	23.74	9.16	21.26	11.95	17.41
15. Horn Articles ...	4.87	11.13	15.97	8.13	12.19
16. Manufactures of Wood other than Furniture and Cabinet Ware ...	4.74	1.65	3.75	10.07	11.03
17. Woollen Shawls ...	7.13	7.89	5.95	7.39	5.44
18. Ivory Manufactures ...	0.32	1.23	1.19	2.29	1.92
19. Canes and Rattans ...	1.06	1.69	5.56	0.85	1.88
20. Mats and Mattings ...	0.76	0.76	1.91	1.28	1.13

EXPORTS OF INDIAN HANDICRAFTS 1949-50 (Rs. in lacs)

	Apparel excluding hosiery and boots & shoes	Works of art	Brass and bronze manufactures	Cane and rattan
1. UK ...	1.31	0.44	3.88	0.03
2. USA ...	0.03	5.55	0.77	0.03
3. Canada ...	...	0.44	0.43	...
4. Australia ...	0.18	0.31	...	0.15
5. Pakistan ...	4.80	0.15	5.27	0.28
6. Ceylon ...	1.70	0.17	1.09	...
7. Burma ...	0.48	...	1.57	...
8. Malaya ...	0.04	0.07	...	...
9. Indonesia ...	...	...	...	...
10. Singapore ...	...	...	...	...
11. Afghanistan ...	0.24	...	...	...
12. Iran ...	0.30	...	...	...
13. Kuwait ...	4.00	0.51	...	...
14. Iraq ...	0.20	0.15	...	...
15. Bahrein Islands ...	...	0.56	0.08	...
16. Kenya ...	0.71	0.62	1.20	...
17. Rhodesia ...	7.03	0.13	0.05	...
18. Tanganyika ...	0.15	0.28	0.28	0.03
19. Aden ...	0.17	0.24	0.12	...
20. Nigeria ...	0.02	0.01	...	...
21. Straits Settlements ...	0.57	1.20	0.25	...
22. Sudan ...	0.39	...	...	...
23. Saudi Arabia ...	3.23	3.02	...	...
24. Egypt ...	0.43	0.24	0.08	0.39
25. Indo China ...	6.54	...	...	...
26. West Indies ...	...	1.20	0.07	...
27. Italy ...	...	3.11	...	...
28. Syria ...	...	0.44	...	...
29. Western Germany ...	...	...	...	...
30. Other countries ...	5.66	2.72	0.41	0.15
31. Total ...	38.18	20.54	15.55	1.06

Exports of Indian Handicrafts 1949-50 (Rs. in lacs)

	Horn articles	Ivory manufactures	Jewellery	Perfumery
1. UK	1.35	...	...	...
2. USA	0.83	0.06	...	...
3. Canada	...	...	...	...
4. Australia	...	...	...	...
5. Pakistan	...	...	...	0.25
6. Ceylon	...	...	...	0.92
7. Burma	...	0.19	...	0.11
8. Malaya	...	...	...	...
9. Indonesia	...	...	...	...
10. Singapore	...	...	...	...
11. Afghanistan	...	...	...	...
12. Iran	...	...	...	...
13. Kuwait	...	...	...	0.14
14. Iraq	...	...	...	0.29
15. Bahrein Islands	...	...	...	...
16. Kenya	...	...	..	0.67
17. Rhodesia	...	...	...	0.20
18. Tanganyika	...	...	...	0.25
19. Aden	...	0.01	0.05	1.14
20. Nigeria	...	...	...	0.13
21. Straits Settlements	...	...	...	1.47
22. Sudan	...	...	...	...
23. Saudi Arabia	...	...	...	1.75
24. Egypt	...	...	...	0.10
25. Indo China	...	...	...	...
26. West Indies	...	...	...	...
27. Italy	0.10	...	...	...
28. Syria	...	...	...	...
29. Western Germany	2.53	...	...	...
30. Other countries	0.06	0.06	0.05	5.27
31. Total	4.87	0.32	0.10	12.69

Exports of Indian Handicrafts 1949-50 (Rs. in lacs)

		Coloured printed or dyed cloth	Haberdashery and millinery	Silk piece-goods	Woollen carpets and rugs
1. UK	...	19.28	1.00	...	239.58
2. USA	...	...	0.13	...	19.47
3. Canada,	...	...	...	...	40.66
4. Australia	...	143.63	5.35	...	4.45
5. Pakistan	...	105.10	1.03	1.41	...
6. Ceylon	...	516.51	19.16	...	...
7. Burma	...	187.31	12.26	...	...
8. Malaya	...	337.80	...	...	...
9. Indonesia	...	...	...	...	...
10. Singapore	...	260.95	...	...	...
11. Afghanistan	...	77.63	...	...	...
12. Iran	...	54.48	...	...	...
13. Kuwait	...	53.22	...	...	...
14. Iraq	...	101.45	...	...	...
15. Bahrein Islands	...	15.55	...	...	...
16. Kenya	...	173.05	3.99	...	...
17. Rhodesia	...	11.30	8.66	...	...
18. Tanganyika	...	116.16	...	...	...
19. Aden	...	98.05	...	...	...
20. Nigeria	...	219.02	...	...	...
21. Straits Settlements	...	...	...	...	...
22. Sudan	...	71.97	0.14	...	...
23. Saudi Arabia	...	...	...	...	...
24. Egypt	...	12.38	...	...	...
25. Indo China	...		...	...	...
26. West Indies	...	9.70	...	...	...
27. Italy	...	...	...	...	...
28. Syria	...	...	...	...	...
29. Western Germany	...	...	...	...	...
30. Other countries	...	352.55	29.76	22.33	27.55
31. Total	...	2937.09	81.48	23.74	330.73

Export of Indian Handicrafts 1949-50 (Rs. in lacs)

	Woollen shawls	Hosiery	Furniture and cabinetware	Mats & matting
1. UK	...	0.05	0.12	0.07
2. USA	...	...	...	...
3. Canada	...	...	...	...
4. Australia	...	...	..	...
5. Pakistan	1.74	12.97	0.61	0.17
6. Ceylon	...	17.33	0.02	...
7. Burma	...	21.79	...	...
8. Malaya	...	0.24	...	...
9. Indonesia	...	...	...	...
10. Singapore	...	...	...	...
11. Afghanistan	...	...	...	...
12. Iran	...	...	0.05	...
13. Kuwait	...	2.21	7.64	0.08
14. Iraq	...	2.73	0.05	0.04
15. Bahrein Islands	...	1.48	0.55	0.02
16. Kenya	...	1.94	0.14	0.06
17. Rhodesia	...	...	...	...
18. Tanganyika	...	...	0.06	...
19. Aden	0.86	4.21	0.07	...
20. Nigeria	...	...	...	...
21. Straits Settlements	...	...	...	...
22. Sudan	...	...	...	...
23. Saudi Arabia	3.43	1.76	0.31	0.07
24. Egypt	...	...	...	...
25. Indo China	...	9.53	...	...
26. West Indies	...	0.17	...	...
27. Italy	...	...	...	...
28. Syria	...	...	...	...
29. Western Germany	...	...	...	...
30. Other countries	...	...	...	...
31. Total	7.13	79.45	10.28	0.76

Exports of Indian Handicrafts 1949-50 (Rs. in lacs)

		Musical instruments	Toys & sports goods	Manufactures of wood other than furniture & other cabinetware
1. UK	...	0.01	1.24	0.06
2. USA	...	...	0.15	0.25
3. Canada	...	...	...	...
4. Australia	...	0.57	0.32	...
5. Pakistan	...	5.60	0.46	0.32
6. Ceylon	...	3.34	2.49	...
7. Burma	...	0.80	...	...
8. Malaya	...	0.11	...	...
9. Indonesia	...	...	...	...
10. Singapore	...	...	...	...
11. Afghanistan	...	...	...	...
12. Iran	...	...	0.14	...
13. Kuwait	...	0.08	0.26	0.76
14. Iraq	...	...	0.07	0.94
15. Bahrein Islands	...	0.25	0.08	0.07
16. Kenya	...	4.73	0.08	0.13
17. Rhodesia	...	...	0.07	...
18. Tanganyika	...	0.98	...	...
19. Aden	...	0.12	0.40	0.38
20. Nigeria	...	...	...	...
21. Straits Settlements	...	9.76	0.21	...
22. Sudan	...	...	...	...
23. Saudi Arabia	...	...	0.20	0.07
24. Egypt	...	...	0.50	...
25. Indo China	...	...	...	...
26. West Indies	...	0.19	...	...
27. Italy	...	...	...	1.21
28. Syria	...	...	...	...
29 Western Germany	...	...	...	...
30. Other countries	...	1.94	1.12	0.55
31. Total	...	28.48	7.79	4.74

Woollen Carpets and Rugs

339. Woollen carpets and rugs are the most important items of export in Indian handicrafts apart from cotton (handmade) textiles. Almost nine-tenths of the total production of woollen carpets and rugs is exported. The reason for this preponderance of exports is that the demand for carpets as floor covering emanates mainly from countries situated in the non-tropical regions and enjoying high real incomes. There was a great increase in exports during the interwar period but the industry was hit hard during World War II due to material shortages, and shipping and exchange difficulties. After the War, conditions were again favourable for the expansion of exports on account of the large volume of pent-up wartime demand and the high tempo of reconstruction and civilian building in Western countries. The two peak years of this postwar expansion have been 1946-47 and 1950-51. In 1951-52 the value of exports touched the record figure of Rs. 5.8 crores. But lately the industry has been facing serious difficulties in maintaining exports because of a recession in demand after 1951, and increasing competition from the machine carpet industry in foreign countries. With the onset of slump conditions from the later half of 1951, the value of exports in 1952-53 came down to Rs. 2.8 crores. During the last two years, however, exports have again registered considerable increase.

EXPORTS OF WOOL CARPETS AND RUGS FROM INDIA[1]

(In million lbs.)

To	1938-39		1946-47		1948-49		1950-51		1951-52		1952-53	
	Quantity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total	Quantity	% of total
Total	8.9		15.5		8.3		14.0		11.6		7.1	
UK	7.2	80.9	3.4	21.9	6.0	72.3	11.7	83.5	8.0	69.0	5.0	70.4
USA	0.7	7.8	4.0	25.8	0.6	7.2	0.8	5.7	1.0	8.6	0.8	11.2
Canada	0.4	4.49	2.6	16.7	0.8	9.6	0.6	4.28	1.0	8.6	0.6	8.4
Australia	0.1	1.12	1.9	12.2	0.1	1.2	0.4	2.8	0.4	3.4	...	...
New Zealand	...	...	0.3	1.9	...	...	...	...	...	...	...	...

(In lbs.)

	1938-39	1946-47	1947-48	1948-49	1949-50
Sweden	...	69,472	45,472	448	1,008
Norway	...	77,484	34,708	986	5,982
Denmark	...	619,689	342	368	180
Switzerland	1,650	177,380	48,937	23,044	48,465
Belgium	30,772	130,478	42,432	2,246	18,771

1 Source : Annual Trade Accounts, Government of India.

340. The United Kingdom has always been the chief market for carpets. 70-80 percent of the exports are absorbed by her. USA, Canada and Australia are the other important markets. In the boom of 1946-47, the largest portion of exports went to the USA and Canada bought a record quantity, but in 1950-51 the United Kingdom again accounted for more than 80 percent of the total exports. It would also appear that after the boom in 1946-47 exports to all countries except the United Kingdom registered a sharp decline. This tendency is very significant, specially in view of the fact that the total imports of carpets into countries other than the United Kingdom have, during these years, either kept steady or continued to increase as the following table shows :

Imports of Wool Carpets[1]

(In million sq. yds.)

	Average 1934-38	1948	1949	1950	1951
Australia[2]	2.6[3]	4.7	5.5	6.6	7.0
New Zealand[2]	1.0[3]	0.8	1.0	1.5	2.8
Canada	...[4]	1.6	1.7	1.9	1.8
USA	1.4	3.2	2.9	4.6	3.5
Sweden	1.2[3]	0.2	0.1	0.1	0.1
Denmark	0.7[3]	0.2	0.2	0.2	...[4]
Switzerland	0.6[3]	1.7	1.8	2.0	2.0
Belgium	0.1	0.2	0.2	0.3	0.3

341. It is a clear indication that in these markets which showed great promise in 1946-47, India has been losing ground to other sources of supply. These trends have to be understood in the light of several factors. The chief cause of the decline in our exports to these countries was the deterioration in quality which followed the boom on account of the entry of a large number of mushroom firms.[5] The enforcement of standards worked out by the Indian Standards Institute in all carpet-producing states and the imposition of a ban on the export of nonquality-marked carpets are urgently necessary.

1 Source : FAO Commodity Report on Carpet Wool, November 1952.
2 From the United Kingdom.
3 1938.
4 Data not available.
5 "Indian wool carpets and floor coverings received a setback in 1948-49 when the American market was flooded with poor goods of sub-standard quality and workmanship, cheap dyes and bad designs." (American Market Possibilities for Asian Handicrafts, United Nations, New York, 1952, p. 14).

342. The second consideration affecting the export prospects for Indian carpets is that of the British entrepot trade, figures for which are given below :

	UK Imports from India[1]	UK Imports of hand-made knotted carpets from other countries	UK Re-export of hand-made knotted carpets
		(In sq. yards)	
1938	1,432,302	535,244	304,170[2]
1946	592,347	121,323	114,448
1950	1,925,377	138,661	128,747
1951	2,291,523	104,205	200,585

The reasons for the existence of this trade lies in the fact that the same British mercantile firms run manufacturing concerns in Mirzapur as well as export business in the United Kingdom. Most of the exports from the UK go to European countries. A small quantity goes to the United States.

RE-EXPORTS OF HANDMADE KNOTTED CARPETS FROM THE UK IN 1951

Country	Quantity in sq. yds.	Value in £ sterling
USA	2,966	16,224
Sweden	14,339	94,382
Netherlands	25,873	97,607
Belgium	24,990	131,646
Switzerland	18,859	92,441
Italy	10,775	71,274

343. Though the volume of re-exports is not very large, it is extremely desirable, from the longterm viewpoint, that Indian exporting firms should have more direct contacts with customers in European and North American markets so that the extra costs of re-export are avoided and entrepot profits are received in India. Moreover, only thus can the chances of increasing exports to them be continuously explored.

344. Another development responsible for the decline in the market for Indian carpets abroad is the increase in the output and consumption of machinemade carpets in the Western countries. The following figures indicate the trend :

1 Accounts relating to the Trade and Navigation of the UK and Annual Statement of the Trade of the UK, Vol. II.

2 Including machinemade carpets.

OUTPUT OF WOOL CARPETS[1]

IN MILLION SQ. YDS.

Country	Prewar[2]	1948	1949	1950	1951
USA[3]	51.6	89.6	72.7	85.7	60.6
UK	35.1	29.6	34.0	39.3	37.7
		(In 1,000 Metric Tons)			
Belgium	2.7	5.0	4.1	5.4	7.3
Netherlands[4]	..	..	6.2	8.0	6.8
France	6.2	4.7	4.4	5.1	5.2

In the United Kingdom especially, carpet manufacturing has made rapid progress during the postwar years. The British carpet industry has been making vigorous efforts to expand exports. At present it is exporting about 30 percent of its total production as compared with 10 percent during the prewar period. Britain now figures as the leading exporter of machinemade carpets in the world market, responsible for almost half of the total volume of trade in machinemade carpets. In USA too the output of machinemade carpets is quite large.

345. It is true that the machine industry cannot produce carpets of exactly the same quality and in the same variety of designs as the handmade carpet industry. Nevertheless, there is no cause for complacency as technical improvements and design development in the machine carpet industry have been proceeding apace, and given supplies of cheap Indian carpet wool, it can compete with, or at least snatch a part of the potential market for oriental handmade carpets in many varieties. The British machine carpet industry, for instance succeeded in the late thirties as well as in the postwar period in substantially increasing its exports to Canada on account of the meticulous care taken to produce the required quality and designs.

346. Besides competition from machinemade carpets, the normal competition from Iran has always to be reckoned with.

347. In order to maintain its market the Indian industry must reduce its costs and adapt its designs to changing tastes. Since the cost of raw wool accounts for nearly 70 percent of the cost of an average carpet, measures must be taken to reduce the cost of Indian carpet wool to carpet manufacturers.[5]

1 Source : FAO Commodity Report on Carpet Wool, November 1952.

2 USA 1935-38 average, UK 1935, Belgium 1937-38, France 1938.

3 Excluding aeroplane and car carpeting.

4 Yarn consumption.

5 These measures are discussed in our monograph on the Carpet Industry of Mirzapur.

Silk Piecegoods (Brocades)

348. Up to 1947 silk piecegoods were mostly sold within the country. For Banaras Brocades, West Punjab and Sind used to be the most important markets. More than half of the sales within the country went to these areas through Lahore and Karachi. Even after partition large quantities of Banaras silks continued to be exported to Pakistan. In 1948-49 Pakistan imported silk piecegoods worth Rs. 89 lakhs which formed nearly 90 percent of total exports. In the following year, however, exports to that country declined sharply to Rs. 2.4 lakhs on account of the imposition of a heavy import duty of 80 percent and exchange difficulties following the devaluation of the Indian rupee.

349. Exports of silk goods to UK and USA have been increasing in recent years. They now import goods worth Rs. 15 to 18 lakhs as compared to Rs. 5 to 7 lakhs in 1947-48. This increase is mainly due to the growing demand for silk scarves and skirt lengths (with simple brocade or block-printed designs). The United States, for instance imported silk scarves worth $342 in 1946, $3,157 in 1950, $7,502 in 1951 and $12,778 in 1952.[1]

350. For some years Middle Eastern countries have been purchasing increasing quantities of Banaras fabrics. Saudi Arabia, Iran and Iraq are the principal buyers. Egypt, Kuwait and Bahrein also buy some. Generally, these are expensive pieces with large floral designs in rose, white, green and yellow colours, intended for the robes and garments of the amirs of these countries. According to exporters, the explanation for the growing demand in these countries lies in the fact that the local chiefs are now receiving larger shares of oil profits from Western oil companies under revised postwar agreements. Whereas in prewar days pieces costing about Rs. 100 each were demanded, now there is more demand for expensive pieces costing Rs. 350 to Rs. 2,000 each. Some pieces costing as much as Rs. 2,000 each were being prepared for export to these countries when the Team visited Banaras.

351. Burma, Ceylon and Malaya also import some quantity, mainly for the Indian population resident there. A few special types of fabrics are manufactured for consumption in Nepal and Tibet, though the quantity exported is very small. Exports to Nepal, however, are on the increase.

352. Wherever Banaras fabrics and similar Mysore and Surat fabrics have gone so far, through tourists or occasional exhibitions or regular trade, they have aroused great interest. But in the absence of organised and sustained endeavour, steady markets have not been developed. From all available indications it is clear that all kinds of dress materials adapted to the dressing habits of different countries, with light brocading in traditional Indian designs, have excellent prospects in the markets mentioned above as well as in European markets.

2 Source : United States Imports of Merchandise for Consumption,

Prints

353. Indian block-printed cotton and silk fabrics—mainly from Lucknow, Farrukhabad and Bombay—have been gaining increasing popularity in the US market. USA imported no block-printed cloth from India in 1946. But she imported printed quilts and bedspreads valued at $12,357 in 1950, $121,886 in 1951, and $347,683 in 1952. In addition, she imported table covers worth $84 in 1951 and $753 in 1952. While imports from India formed only 23 percent of the total imports of cotton block-printed quilts and bedspreads in 1950, in 1952 they accounted for 96.5 percent of the total imports into USA.

354. Our exports of prints to other important markets—UK, France, Canada, Australia—have also increased though not to the same extent as USA. Other countries, particularly New Zealand, Switzerland, Sweden and Norway have also shown interest in our prints. Greater publicity, continuous design development and enforcement of strict quality control in respect of the fabrics used for printing and colour-fastness should help to develop these and other markets.

Brassware

355. Brassware exports increased from Rs. 15.5 lakhs in 1951-52 to Rs. 32.3 lakhs in 1953-54. While Asian markets buy utility goods, the United States has been absorbing increasing quantities of art brassware (carved and enamelled). Some American importing firms have made an important contribution to this development by organising extensive publicity and distribution. There is an enormous scope for the continued expansion of brass artware exports, if the development of new articles with simpler but traditional designs and better finish continues and quality control is introduced.

Jewellery

356. Jewellery exports have registered a marked increase during the last four years from Rs. 1.55 lakhs in 1949-50 to Rs. 68.50 lakhs in 1953-54. The increase is almost entirely due to large purchases by the Middle East countries, *viz.* Saudi Arabia, Kuwait and the Bahrein Islands. Turquoise jewellery from Kashmir is liked very much in the United States.

Works of Art

357. Exports under the category 'Works of Art' have risen from Rs. 10.27 lakhs in 1948-49 to Rs. 64.18 lakhs in 1952-53, mainly due to the growing interest in Western countries in oriental curios and art objects. USA alone imported art goods worth Rs. 23.31 lakhs in 1951-52, Rs. 28.06 lakhs in 1952-53, and Rs. 41.23 lakhs in 1953-54. Italy, Germany and Canada are the other important markets; among non-European countries Saudi Arabia is the largest market. Middle Eastern and African countries are generally good customers in this line.

Perfumery

358. Exports of perfumery have been steadily rising. The bulk of the exports is absorbed by countries in the Middle East and South East Asia.

Shawls

359. Shawls have a market mainly in Pakistan, Saudi Arabia and other Middle Eastern countries.

Horn Articles

360. Horn articles have a good market in the UK, USA and Germany. But the market can be extended if a good range of new articles are designed.

Ivory Manufactures

361. The exports of ivory manufactures have been increasing during the last two years. USA remains the most important market. Her imports of ivory articles from India increased from Rs. 39,000 in 1952-53 to Rs. 49,000 in 1953, and Rs. 63,000 in 1954. There is a growing market in South African, European and Middle Eastern countries. New Zealand and Canada are also good markets. There were substantial, though temporary, exports to Japan and Hong Kong during 1950-51, probably due to the demand from troops stationed there. On the other hand exports to UK, Belgium and Switzerland, Egypt, Kenya and Zanzibar have registered a decline.

362. Apart from art objects, the sale of which is necessarily limited, the bulk of the export consists of ornamental wear such as necklaces, brooches and eartops. Efforts should be made, however, not only to increase the export of these items but also of other utility items such as tobacco pipes, cigarette holders, cigarette cases, pin cushions, paper-cutters, flower vases, bookmarks, lamps, and toys.

Canes and Rattans

363. Exports of canes and rattans reached their postwar peak (Rs. 5.6 lakhs) in 1951-52. Thereafter they dropped to Rs. 0.85 lakhs in 1952-53. They have revived again during the last two years. The main markets are Egypt, Pakistan and the UK, Australia, New Zealand and Sweden have been buying small quantities. In this line, the products of other Asian countries are on the whole superior in construction and design. And on big items of furniture freight cost is prohibitive. Improvements are necessary in these respects. It has been suggested that cane and rattan furniture should be made in parts which may be assembled in the importing countries.

Miscellaneous

364. Exports of wood carvings and toys, art leather goods, zari embroidered goods, papier mache articles and other miscellaneous articles included under the headings "apparel", "haberdashery", and "millinery" are also growing.

365. The foregoing review indicates that on the whole the exports of handicrafts have shown an upward trend in recent years. If export promotion efforts are intensified this trend can be kept up.

366. In the appendix to this chapter we give a statement showing the countries in which, according to the reports of our commercial representatives abroad, and enterprising export agencies, there is considerable scope for the expansion of our exports of different handicraft items. We hope that export promotion agencies will make their best efforts to develop these markets.

367. The inserted table taken from a recent UN study of the relative position of different Asian countries in the US handicraft market shows that on account of our recent entry in the field and weak salesmanship our exports are insignificant in comparison with those of China and Japan in almost every line. But it also indicates the potential market for our handicrafts in that country if we could push our sales as resolutely as our neighbours.

Export Promotion

368. It is clear from the above analysis of the trends of trade as well as the testimony of experienced exporters that on the whole the expansion of handicraft exports is limited not so much by lack of demand nor by competition, but by our own incapacity to produce and sell goods in the required quantities with suitable adaptations in quality and design. In most cases we are not exporting more, simply because either foreign buyers do not know what we produce or we are not producing enough of what would sell.

369. Thus, in the case of handicrafts the export problem is mainly a production problem; and the key to export promotion lies in the improvement of production. Therefore, the measures suggested in the following chapters in respect of quality control, design development and technical improvement will have a directly beneficial effect on exports.

370. But more active salesmanship is also required. Some measures of sales promotion *viz.*, publicity, participation in exhibitions, exchange of trade delegations and market research have already been discussed in Chapter 3 (pages 53 to 61). Here we may make a few more suggestions germane to export promotion.

SHOWROOMS ABROAD

371. The Government of India maintains about fourteen showrooms[1] in important commercial cities abroad. There have been continuous complaints that they have not

1 Country	City	Country	City
USA	New York	Belgium	Brussels
Ceylon	Colombo	East Africa	Mombassa
Thailand	Bangkok	Afghanistan	Kabul
Canada	Toronto	Egypt	Alexandria
Indonesia	Djakarta	British West Indies	Trinidab
France	Paris	China	Peking
Sweden	Stockholm	Australia	Canberra

STATEMENT SHOWING TOTAL HANDICRAFT IMPORTS INTO THE UNITED STATES DURING 1950 AND SHARE OF INDIA, CHINA AND JAPAN

Value

(In United States dollars)

Commodity	Total Import	India	China	Japan
Antiques ...	16,102,356	17,008	1,065,454	317,710
Artificial flowers ...	2,849,051	1	38,031	1,585,193
Bamboo, rattan, reed products ...	10,194,192	98,529	1,137,871	2,634,151
Brassware ...	1,616,078	10,389	47,048	835,428
Copperware ...	565,408	1,203	149,590	47,188
Fans ...	239,297	4	31,529	174,812
Floor coverings, cotton, wool, grass ...	21,728,906	1,667,839	6,007,847	2,717,340
Gems and stones ...	74,723,653	564,701	223,934	3,346,819
Handbags, fancy ...	130,277	1,300	742	7,315
Horn work ...	135,972	513	8,840	16,055
Incense ...	62,939	76	37,599	21,976
Ivory carvings and Mother-of-Pearl ...	209,330	8,801	67,414	79,429
Jewellery ...	4,689,472	11,700	64,702	1,774,148
Leather goods, fancy ...	353,430	274	352	12,405
Papier Mache and paper products ...	1,410,538	3,586	54,756	287,522
Reptile leather articles ...	994,424	219	—	20
Silverware ...	2,476,173	146	48,875	270,577
Smoker's articles ...	3,629,388	9,882	101,430	2,850,472
Textiles, handmade fabrics, handkerchiefs, embroidered and lace articles, wearing apparel. ...	27,519,485	148,146	9,913,870	3,950,240
Toys-dolls ...	731,702	152	8,746	417,440
Wood carvings ...	512,255	10	460	44,602
Wood furniture ...	3,245,147	6,305	160,368	90,040

been properly looked after because the persons in charge of them have no commercial experience. They have little knowledge about the products displayed, their merits and their sources of supply, with the result that potential customers go unsatisfied and enquiries are not followed up by orders. Steps should be taken as early as possible to employ trained and well-informed personnel in these showrooms. Their stocks should be frequently replenished with representative collections of new designs developed from time to time.

372. We may also suggest the opening of more showrooms particularly in Rome, Singapore and Aden.

TRANSPORT

373. Many of the difficulties of handicraft exporters are due to the inadequacy of transport facilities. Before reaching a port for export, handicraft products have to travel long distances within the country. Most consignments have to be transported by passenger train either because goods transport on railways is extremely slow or because of the delicate nature of the articles. But passenger transport is very expensive. Therefore transit costs are high. In the previous chapter we have already suggested that passenger freight concessions on selected handicraft articles be requested.

374. As regards the transport of articles by sea or air, efforts should be made to secure special commodity rates (which are lower than the general cargo rates) for specific handicraft products. Already some of the handicraft products are charged lower air freight rates, as the following table indicates.

Article	From	To	General rate per kilo	Special Commodity rate per kilo	Minimum wt. per consignment kilos
			Rs.	Rs.	
Brassware ...	Delhi	Bangkok	4 6	2 3	250
Brassware ...	Delhi	London	6 8	4 3	250
Drawn work, Needle-work, Embroidery, and lace, etc.	Madras	Lagos (Africa)	No general rates between these two stations	12 0	100
Silk saris ...	Bombay	Jeddah	—do—	4 1	50
Embroidered goods and cloth.	Calcutta	New York	16 3	12 8	100

375. The All India Handicrafts Board should take up the matter and try to secure commodity rates for other handicraft products as well.

376. The shipping freight structure and the possibility of obtaining more favourable rates for Indian merchandise are already under detailed examination by the Government.

TRADE AGREEMENTS

377. During the last few years, the Government of India has concluded a number of bilateral trade agreements with a view to promoting mutual trade. And "cottage industry products" have been included in the schedules attached to them. In some of them specific products are mentioned and quota limits laid down[1].

378. The inclusion of cottage industry products in trade agreement schedules does not, however, seem to have brought any new benefit to cottage industries. Many handicraft exporters simply do not know of the inclusion. But those who know of it complain that the inclusion seems to be a pure formality. If they address any inquiries to the commercial representatives of the governments concerned no concrete information is furnished by them as to intending importers of cottage industry products and little additional business is negotiated. In the case of the East European countries where foreign trade is a State monopoly, inquiries are not answered at all, even though under the trade agreements with them they are supposed to buy cottage industry products.

379. It is necessary that cottage industry products are included in trade agreement schedules only after detailed investigation by the governments concerned, of the exact prospects of trade in specific items. The Indian Government should make sure that there are intending importers interested in these items, and try to ascertain their names, the lines in which they are interested and the approximate volume of business which can really be transacted. It should furnish this information to Indian exporters and see that additional business actually materialises. Otherwise the appearance of cottage industry products in trade agreements cannot be expected to produce appreciable results.

TARIFF DUTIES

380. The rates of tariff duties imposed on some of our handicraft products in USA and UK are given below :

UNITED STATES

	Rate of tariff duty
1. Table, household, kitchen and hospital utensils and hollow or flat ware composed wholly or in part chief value of copper or brass, not plated with platinum, gold or silver.	40 percent a. v.
2 (*a*) (i) Quilts or bedspreads : if not jacquard figured, block-printed by hand.	12½ percent a. v.
(ii) If jacquard ...	20 percent a. v.
(*b*) Table and bureau covers, centre pieces, runners, scarfs, napkins and table cloths made of plain woven cotton cloth block-printed by hand.	15 percent a. v.
(*c*) All articles : part fringed ...	45 percent a. v.

1 See Appendix to this chapter for the relevant provisions of the agreements.

3. Oriental, axminster, souvenerie, ambusson, and other carpets rugs and mats not made on a power loom, plain or figured whether woven as separate carpets rugs or mats or in rolls of any width.	15 percent per sq. ft. but not less than 22 percent a. v.

UNITED KINGDOM

1. Textiles (cotton, silk, woollen)	20 percent but subject to a drawback equal to the amount of duty since 1st May, 1936.
2. Woollen carpets, carpeting floor rugs, floor mats and matting.	4 *s.* 6 *d.* but subject to a drawback equal to the amount of duty since 1st May, 1936.
3. Cotton apparel :	
(*a*) Outer garments : dresses, coats, skirts and cotton bed furnishings.	17½ percent a. v.
(*b*) Undergarments ...	20 percent a. v.
4. Canes and rattans ...	20 percent but subject to a drawback equal to the amount of duty since 3rd July, 1936.
5. Coir Mats and Matting ...	20 percent
6. Horn products ...	20 percent but subject to a drawback equal to the amount of duty since 3rd December, 1954.
7. Ivory manufactures ...	30 percent.
8. Jewellery ...	25 percent.
9. Works of Art ...	Nil

381. Besides the tariff duty all the articles are subject to a general purchase tax of 33-1/3 percent in the UK.

382. In its trade negotiations with these and other countries the Government of India should continuously explore the possibility of securing tariff concessions on a reciprocal basis in respect of handicraft articles.

EXPORT CREDIT GUARANTEE

383. In some foreign countries, especially the Netherlands, and the United Kingdom, systems of export guarantees have recently been evolved. Out of special funds provided by the government for the purpose, lending agencies are guaranteed against risks of loss, nonpayment or delayed payment of loans to exporters upto a specified percentage of the amounts involved. The percentage varies from 60 to 85. The Netherlands Trading Society maintains offices in South East Asian countries and after assessing the bonafides of the intending importers, grants credits to the exporters at home. The Export Credit Guarantee Department of the United Kingdom stands guarantee against loss due to buyers' insolvency or very late payment exceeding a period of 12 months, upto 85 percent of the value of exports.

384. The Government of India have also announced an Export Credit Guarantee Scheme which they intend to introduce. The Scheme has a very comprehensive risk coverage. We suggest that the All India Handicrafts Board should request the Government to earmark a portion of the funds of the scheme especially for credit guarantees to handicraft exporters. In view of the peculiar nature of handicraft production and export organisation, it would be necessary for the scheme not only to provide insurance against normal risks but generally to guarantee loans made by commercial banks, and other lending agencies to exporters for increasing production and holding stocks for purposes of export. It may also be provided that handicraft exporters who take advantage of the scheme will have to comply with specified conditions in respect of quality and packing standards.

STATEMENT SHOWING POTENTIAL MARKETS ABROAD

Commodity	Country
1. TEXTILES	
(*i*) General handloom, cotton fabrics and prints.	Ceylon, Indonesia, Egypt, Austria, Fiji, Thailand, Afghanistan, Norway, Finland, British East Indies including Jamaica, Cuba, Haiti, Mauritius.
(*ii*) Furnishing fabrics, hand-made tapestry, towels.	Burma, Iraq, Holland.
(*iii*) Bedspreads, table cloths, handkerchiefs, prints.	UK
(*iv*) Cotton carpets, lace goods, hand-woven cotton tissues, embroidered bags.	West Germany, Canada, Australia, New Zealand, Mauritius, France, Malaya.
(*v*) Saris, dhoties—in addition to (*iv*) above and (*vi*) below	Zanzibar, N & S Rhodesia, and Nyasaland.
(*vi*) Coarse and medium priced textiles.	Nepal, Mauritius.

Commodity	Country
2. TEXTILES (WOOL)	
(i) Blankets ...	Ceylon.
(ii) Woollen carpets ...	East Africa, Central Africa, Italy, Poland, West Germany, Norway, Austria.
(iii) Shawls, carpets, rugs ...	Sweden.
(iv) Carpets, Namdas, dress materials	New Zealand.
(v) General woollen textiles ...	Nepal, Iraq, Canada.
3. TEXTILES (SILK)	
(i) Silk scarves, brocades, embroidered bags, dress materials.	Austria, Italy, West Germany,— New Zealand.
(ii) Silk brocades, tapestries ...	Norway, Finland, Canada.
(iii) Tissue saris ...	Aurtralia.
(iv) Silk goods ...	Nepal, Sweden, British West Indies including Jamaica, Cuba, Haiti.
4. IVORY	
(i) Ivory goods in general, ivory inlaid wooden tables.	Italy, West Germany, Norway, Finland, Canada, Australia.
(ii) Carved ivory ...	New Zealand.
5. POTTERY	
(i) Chinaware ...	Iraq.
(ii) Moulded articles of natural materials	East Africa, Central Africa.
(iii) Porcelain ceramics ...	Canada.
6. BRASS AND COPPER	
(i) Brass and copperware ...	China.
(ii) Brassware ...	East Africa, Central Africa, Italy, Sweden, Canada, Australia, New Zealand.
(iii) Artistic brassware ...	Zanzibar, N & S Rhodesia, Nyasaland, Norway.
(iv) Bidri and artware ...	West Germany, Norway, New Zealand.

Commodity	Country
7. Toys and Dolls	
(i) General toys ...	Burma, Iraq, East and Central Africa, British West Indies including Jamaica, Cuba, Haiti.
(ii) Wooden toys ...	West Germany.
(iii) Dolls in fancy costumes ...	Malaya.
8. Wood Articles	
(i) Wooden furniture and carved articles.	East and Central Africa, Italy, Norway, Finland, New Zealand.
(ii) Inlaid woodwork ...	Australia.
9. Stoneware	
Agra marble work ...	Canada.
10. Gold and Silver	
(i) Filigree ...	Malaya.
(ii) Artificial jewellery ...	Iraq, East and Central Africa, Zanzibar, Nyasaland.
(iii) Artistic silverware and inlaid plates.	West Germany, Norway, Finland, New Zealand.
(iv) Zari goods ...	Italy, New Zealand.
11. Fine Arts	
Art goods, curios ...	Iraq, Zanzibar, N & S Rhodesia, Nyasaland, Austria, British West Indies, Jamaica, Cuba, Haiti, New Zealand.
12. Horn, Bone and Coconut	
Carvings ...	East and Central Africa.
13. Papier Mache	
General articles ...	Sweden, New Zealand.

Commodity		Country
14. PERFUMES		
General perfumes	...	Nepal, Zanzibar, Nyasaland, the Sudan, Austria, British West Indies, Jamaica, Cuba, Haiti, New Zealand.
15. LEATHER GOODS		
(i) Footwear	...	Ceylon, Cyprus, East and Central Africa, Zanzibar, Nyasaland, Mauritius, the Sudan, Holland, Sweden, Finland, Australia, New Zealand.
(ii) Purses, wallets, bags	...	West Germany, Holland.
(iii) General goods	...	Tibet region of China, Malaya.

STATEMENT SHOWING HANDICRAFT PRODUCTS INCLUDED IN SCHEDULES OF GOODS EXPORTABLE FROM INDIA TO OTHER COUNTRIES UNDER VARIOUS TRADE AGREEMENTS

Name of Trade Agreement

I. INDO-AUSTRIAN TRADE AGREEMENT

In force from 15th July, 1953 to 30th June, 1954.

Extended up to 31st December, 1954, including validity of schedule but quantities and values proportionately reduced to 6/12 of the annual quotas.

	£
1. Handloom products	6,000
2. Carpets and Rugs	6,000
3. Sports Goods	8,000
4. Coir Mats and Mattings	
5. Special Indian art goods	1,000

These values in £ refer to the limit to which the import licences will be granted by the Austrian Government.

II. INDO-BULGARIAN TRADE AGREEMENT

In force from 1st June, 1953 to 31st December, 1954.

1. Bamboo Fishing Poles and Rods

III. Indo-Burmese Trade Agreement

Nil

IV. Indo-Ceylon Trade Agreement — In force from 1st September, 1952 to 31st August, 1957.

1. Reduction of import duty on all handloom towels and towelling to the lowest rate applicable to millmade towels.

V. India-China Trade Agreement — In force from 14th October, 1954 to 14th October, 1956.

With China

1. Cotton Manufactures

With Tibet Region of China

2. Leather Goods

VI. Indo-Czech Trade Agreement — In force from 17th November, 1953 to 31st December, 1956.

1. Indian Handicrafts

VII. Indo Egyptian Trade Agreement — In force from 8th July, 1953 till such time when modified or terminated by either party on giving three-months' notice.

1. Pottery
2. Indian Handicrafts, such as Indian brassware, embroidery (zari), and belts, Indian silver and fancy jewellery, etc.
3. Coir manufactures
4. Woollen Manufactures

VIII. Indo-Finnish Trade Agreement — Extended for a further period of two years from 1st January, 1954. Schedule subject to revision.

Schedule for 1955 includes :

1. Cottage Industry Products, e.g.,
   (a) Handloom (Cotton and Silk)
   (b) Artistic silver
   (c) Brass and Bidri Products and other metal products.

(*d*) Ivory articles

(*e*) Wood carvings

(*f*) Grass and fibre products etc.

2. Woollen Carpets
3. Woollen Textiles
4. Coir manufactures

IX. INDO-EAST GERMAN TRADE AGREEMENT — In force from 16th October, 1954 to 16th October, 1955. If not terminated 3 months before 16th October, 1955 arrangements will continue for one more year, with necessary revision of schedules.

1. Coir Manufactures
2. Other Textile Products
3. Silk Fabrics
4. Woollen Fabrics
5. Indian Handicrafts and Cottage Industry Products, e.g.,

(*a*) Handloom (Cotton, Silk)

(*b*) Artistic Silver

(*c*) Brass and Bidri Products

(*d*) Ivory Articles

(*e*) Wood carvings

(*f*) Leather Manufactures, etc.

X. INDO-WEST GERMAN TRADE AGREEMENT

(Minimum Import Quotas will be granted in respect of Indian goods and for which Import Licences would be issued by the Federal Republic of Germany during the period 1st February, 1954 to 31st January, 1955).

1. Woollen Carpets (Handmade) — £ 20,000
2. Miscellaneous textile items :

(*a*) Silk fabrics
(*b*) Art silk fabrics
(*c*) Woollen fabrics
(*d*) Finished cotton fabrics
(*e*) Bedspreads
(*f*) Handmade laces
(*g*) Embroidered handbags

} £ 40,000

(Within the framework of this group, authorisation for each single item will be granted up to the value of £ 10,000 as a limit).

3. Coir products other than yarn (mattings, doormats)	£ 20,000
4. Art Ware	Unrestricted
5. Brass Ware	-do-
6. Ivory Goods	-do-
7. Straw Baskets	£ 10,000
8. Cottage Industry Products such as :	
(a) Cane products (b) Wooden Carving (including—carved boxes) (c) Wooden toys	£ 75,000
9. Cotton Carpets (knotted) 10. Wooden furniture, including furniture made of bamboo and cane but excluding tables made of bamboo and cane. 11. Shoes with wooden soles 12. Footwear	Import will be allowed without any quantitative restrictions.
XI. INDO-HUNGARIAN TRADE AGREEMENT	In force from 17th June, 1954 to 31st December, 1955. In case either party does not terminate the agreement three months prior to December, 1955, agreement will operate till 31st December, 1957. Schedules being subject to further revision.

1. Cottage Industry Products, e.g.,
   - (a) Handloom (Cotton and Silk)
   - (b) Artistic Silver
   - (c) Brass and Bidri Products
   - (d) Ivory articles
   - (e) Wood carvings, etc.
2. Woollen textiles including woollen goods
3. Coir manufactures
4. Leather goods including shoes

XII. INDO-IRAQI TRADE AGREEMENT

In force from 14th June, 1953 to 31st December, 1954.

1. Cotton manufactures (including sheeting, towels, kerchiefs, hosiery etc. except apparel in khaki and olivegreen colours)
2. Coir manufactures
3. Furnishing fabrics
4. Arts, Handicrafts and Jewellery :
   - (*a*) Art goods
   - (*b*) Artificial jewellery
   - (*c*) Cottage industries products
   - (*d*) Handloom products
   - (*e*) Toys
5. Woollen manufactures
6. Ceramics and Pottery

XIII. INDO-NORWEGIAN TRADE AGREEMENT

In force from 1st January, 1954 till 31st December, 1954.

1. Raw Wool and woollen manufactures including carpets and rugs, but excluding yarn.
2. Cottage Industry Products, e.g.,
   - (*a*) Handloom (Cotton and Silk)
   - (*b*) Artistic Silver
   - (*c*) Brass and Bidri Products
   - (*d*) Ivory articles
   - (*e*) Wood carvings
   - (*f*) Grass fibre products
   - (*g*) Other metal products, etc.
3. Cotton Textiles
4. Silk Fabrics
5. Coir products

XIV. INDO-POLISH TRADE ARRANGEMENT

In force from January, 1953 to 31st December, 1955.

Schedules for 1954 and 1955 includes :

1. Handicrafts and Cottage Industry Products, e.g.,
   - (*a*) Ivory Products
   - (*b*) Brass and Bidri Ware

(c) Silver Filigree

(d) Grass and Fibre Products

(e) Wood Carvings

XV. INDO-SWEDISH TRADE ARRANGEMENT	In force for a period of two years ending 31st December, 1954.
1. Silk Fabrics	
2. Shawls	
3. Saris	
4. Lace Goods	
5. Cotton and Silk Textiles	
6. Woollen manufactures including Carpets and Rugs.	
7. Coir Products	
8. Leather goods including footwear	
9. Cottage Industry Products, e.g.,	
(a) Handloom Cotton and Silk	
(b) Artistic Silver	
(c) Brass and Bidri and other metal products.	
(d) Ivory articles	
(e) Wood carvings	
(f) Grass and fibre products, etc.	
XVI. INDO-SYRIAN TREATY OF FRIENDSHIP AND COMMERCE	From December, 1952 onwards.
1. Cotton piecegoods	
XVII. INDO-TURKISH TRADE AGREEMENT	In force for a period of 12 years commencing 4th January, 1953.
Nil	
XVIII. INDO-USSR TRADE AGREEMENT	In force from 2nd December, 1953 to 1st December, 1958.
1. Indian Handicrafts and Cottage Industry Products.	

XIX. INDO-YUGOSLAV TRADE AGREEMENT — In force from 8th November, 1953 to 7th November, 1954.

1. Cottage Industry and Handicraft Products, e.g.,
   (a) Cotton
   (b) Silk
   (c) Artistic Silver
   (d) Brass
   (e) Bidri Products and Ivory articles, wood, carvings, etc.

XX. INDO-RUMANIAN TRADE AGREEMENT — In force till December, 1954 (if not terminated three months before this date, agreement shall remain in force till December 31, 1955).

1. Handicrafts and Cottage Industry Products.
2. Coir Products
3. Textiles (Cotton, Woollen, Silk).

SUGGESTED CUSTOMS CLASSIFICATION FOR HANDICRAFTS

Present Classification	*Suggested Classification*
Art, Works of	Fine Art, Objects of
Canes, Rattans and Bamboos	Canes, Rattans and Bamboos— Unmanufactured Manufactured
Earthenware and Porcelain	Earthenware and Porcelain (excluding art pottery) Art Pottery
Furniture and Cabinetware	Furniture and Cabinetware (excluding wood articles, carved and inlaid) Wood articles, carved and inlaid— Walnut Rosewood Sandalwood Others

Present Classification	*Suggested Classification*
Hoofs, Horns, Tips and Pieces of Horns	Hoofs, horns, tips and pieces of horns manufactured
	Horn articles
Ivory—	Ivory —
Unmanufactured	Unmanufactured
Manufactured	Manufactured—
	Figurines
	Other articles
Leather Manufactures (excluding boots and shoes) —	Leather Manufactures (excluding boots and shoes) —
Leather belting	Leather belting
Bags, trunks and travelling requisites	Bags, trunks and travelling requisites
Saddlery and Harness	Saddlery and Harness
	Art leather goods
Other sorts	Other sorts
Brass, Bronze and similar alloys	Brass manufactures—
	Plain
	Engraved
	Bronze manufactures
	Bell Metal manufactures
	Bidriware
	Tanjoreware
Copper	Copper—
	Copper manufactures—
	Utensils and artware—
	Plain
	Engraved
Paper and Pasteboard Paper	Paper and Pasteboard (Other than Papier Mache articles)
Pasteboard, millboard and cardboard of all kinds	Paper
	Pasteboard, millboard and cardboard of all kinds
	Papier Mache articles
Shells and Cowries	Shells and Cowries—
	Shell artware
	Others

Present Classification	*Suggested Classification*
Stone & Marble	Stone & Marble—
	Artware
	Others
Cotton Piecegoods—	Cotton Piecegoods—
Handloom—	Handloom—
Lungis	Lungis
Saris	Saris—
Other sorts	Block-printed
	Others
	Block-printed piecegoods other than saris
	Other sorts
Cotton Piecegoods—	Cotton Piecegoods—
Mill-made—	Mill-made—
Coloured, printed or dyed	Block-printed fabrics—
Lungis and saris	dress materials
Drills and Jeans	furnishing fabrics
Other sorts	others
	Coloured, printed or dyed other than block-printed fabrics
	Lungis and saris
	Drills and Jeans
	Other sorts
Haberdashery and Millinery—	Haberdashery and Millinery—
Made-up cotton goods e.g. quilts, bed-covers, counterpanes, etc.	Made-up cotton goods e.g. quilts, bed-covers, counterpanes etc. other than block-printed furnishing fabrics.
Silk Manufactures—	Silk Manufactures—
Goods of silk mixed with other materials	Silk piecegoods—
Silk piecegoods	Block-printed fabrics
Other sorts	Brocaded—
	With silk thread
	With real gold and silver thread
	With imitation gold and silver thread
	Others
	Goods of silk mixed with other materials (excluding brocaded fabrics)
	Other sorts

Present Classification	*Suggested Classification*
Artificial Silk Piecegoods	Artificial Silk Piecegoods—
	Block-printed fabrics
	Brocaded—
	With silk thread
	With real gold and silver thread
	With imitation gold and silver thread
	Others
Toys and Requisites for Games and Sports.	Toys and Dolls—
	Handmade
	Others
	Requisites for Games and Sports
	New Items to be inserted
	Embroidered fabrics
	Cotton
	Woollen
	Silken
	Others
	Lace and Crochet work
	Turquoise artware
	Grass and straw articles
	Willow articles
	Filigree articles

NOTE ON TRADE CHANNELS TO BE USED FOR EXPORTS TO USA

During the Survey it was repeatedly brought to our notice by handicraft exporting firms—especially in the prints and brassware trades—that some public emporia and new private firms have been selling handicraft goods direct to US retail stores at wholesale prices. This practice tends to damage the normal trade through US importing wholesalers. The latter lose all interest in a line if they find retail stores being directly offered the same articles at wholesale prices. But the interest of the retail stores in a certain line is usually short-lived with the result that after a short spell of large sales business is lost. No durable market is created. The nature of US market organisation is such that unless some US importing wholesalers take an active and sustained interest, keep substantial stocks and organise high-pressure publicity and salesmanship, a sizeable market cannot be created and kept. Therefore we suggest that public emporia should, as far as possible, use the normal trade channels (importers—wholesalers) in US market until, through emporia established in the US itself (see Chapter 10, p. 13) stocks can be kept and direct retail sales organised on a sufficiently large scale. The practice of selling direct to retailers should be avoided in those lines in which it is clear that it would adversely affect the total volume of exports from the country.

Chapter 7

QUALITY CONTROL

385. As stated in the Introduction, "the crucial aspect of marketing is inseparable from a transformation of production. The problem is to improve production in every respect : material-utilisation, machinery and methods employed, designing, finishing, packing etc. so that newer, better and cheaper goods are produced. Such a radical improvement of production is a precondition of any substantial expansion of sales."

386. In this and the two following chapters we discuss the three major aspects of improvement of production, *viz.* (1) quality control, (2) technical research, training and extension, and (3) design development.

387. The importance of quality control for the development of Indian handicrafts cannot be overemphasised. Quality control has already made considerable headway in many countries, especially, Japan and the USA[1]. The ECAFE Working Party on Small Scale Industries and Handicrafts Marketing at its Third Meeting held at Bangkok during 21-28 September 1953 recommended "the establishment of a system of inspection to ensure standard quality for handicrafts" and urged that "quality control for handicrafts should embrace control of quality of raw materials, standard dimensions and specifications as well as workmanship."

388. In India, cut-throat competition among middlemen who control the bulk of handicraft production has led in recent years to a marked deterioration in the quality of handicraft products. As a result, the home consumer finds it increasingly difficult to get handmade goods of reliable quality and foreign markets are in danger of being lost.

389. During the last ten years, most of our important handicrafts have passed through at least one export boom period. But the story of these booms has been uniformly dismal and damaging to the longterm growth of our handicraft-exports. In every trade the boom has been shortlived not so much on account of the usual ups and downs of trade but because of the shortsighted greed of, and unhealthy competition amongst, our middlemen. As soon as good foreign demand develops in a particular line, a large number of new, mushroom firms, with little experience and little durable stake in the trade, enter it with the sole purpose of making some quick profits. Goods of shoddy quality, often at great variance with the approved samples, are exported. The deterioration in quality is partly due to the incapacity of the small producers and artisans to maintain quality when rush orders are executed and partly because little care is taken to inspect the quality of the goods carefully before they are exported by all but a few

1 Some information on the system evolved in Japan is given in the Appendix to this chapter.

wellestablished firms. But the most unfortunate fact is that quality is often deliberately debased in a desperate bid to cut prices and secure orders. In this respect, we have acquired so much notoriety abroad that it will now require considerable time and effort to re-establish the reputation of our handicraft goods in the foreign markets.

390. Thus the introduction of quality control is absolutely necessary both in order to protect the home consumer and to restore and expand the demand for Indian handicraft goods in foreign markets on a longterm basis.

391. Quality control can also serve, indirectly, as a good means of persuading businessmen to adopt fair price policies and maintain fair labour standards. Besides, it can reduce marketing costs by making it unnecessary for the manufacturers to spend enormous sums of money on misleading advertisements.

392. The UP Government deserves to be congratulated for being the first State Government in India to introduce the quality control of handicraft products So far its Quality Marking Scheme has been applied to eight industries, namely, Aligarh locks, Agra foot-wear, handloom fabrics, Farrukhabad prints, sports goods, Meerut scissors, Banaras brocades and Mirzapur carpets. The last two have been brought under the Scheme only very recently.

393. Apart from UP, at present schemes exist in Punjab for hosiery, in Mysore for druggets, and in West Bengal for locks. Andhra proposes to introduce a scheme for pile carpets and lace goods. Other States are only beginning to examine the feasibility of introducing quality control schemes.

394. We have examined the Quality Marketing Scheme of the U P Government in some detail with a view to finding out how its working can be improved and what lessons can be learnt from its operation for the benefit of other States intending to introduce similar schemes.

395. On the whole, the Scheme has been fairly successful. It has effectively checked the deterioration in quality. The quality marking of Farrukhabad prints has been specially successful in re-establishing their reputation in the export markets. We hope that the quality marking of Banaras brocades and Mirzapur carpets will have similar success. But it is necessary that as soon as a sufficient number of important exporting firms in these industries have joined the Scheme, the export of non-quality marked brocades and carpets should be prohibited by the Central Government.

396. As regards the extension of this Scheme to other industries, we recommend that Moradabad brassware be included in it without further delay. Though the exports of Moradabad brassware have been expanding in the last two or three years, we noted with concern that the quality of exported articles is steadily deteriorating and numerous complaints are being received from foreign buyers. In fact, the expansion of foreign demand is itself causing the quality to suffer. The new inexperienced firms who wish to snatch a share in the foreign demand as well as the old exporting firms are handling orders which are too large to permit careful manufacture and careful scrutiny of the exported

articles. Engraving is unsatisfactory and lacquer is being adulterated to the extent of at least 50 per cent. In the home market, Moradabad tin plating has almost lost its old reputation. 60 percent of adulteration with lead has become a common practice.

397. We discussed this problem with the association of exporters, indigenous market traders and artisans. All of them recognised the seriousness of the situation and agreed that if nothing was done, the industry would continue to suffer and unemployment would increase. One of the exporters' associations, which includes all the big exporting firms, even said that they had once tried to introduce common inspection on their own but the attempt failed due to the intensity of competition. In fact, we found that all sections of the industry felt that some action was urgently needed. But a vague apprehension of government interference prevents them from taking the initiative.

398. We tried to convince the dealers that government action alone can meet the situation and their fear of quality control is false because the quality control scheme is voluntary and would be evolved and administered in close consultation and co-operation with them.

399. As a result, the dealers were favourably inclined to discuss the scheme. We recommend that these discussions be started immediately by the Quality Controller. To begin with, standards should be fixed and inspection organised in respect of :

(i) tin plating,

(ii) engraving, and

(iii) enamelling.

400. The administration of the Scheme is controlled in detail by the Quality Controller so as to prevent evasion on the part of manufacturers and laxity on the part of the inspecting staff.

401. The standards fixed are either according to the Indian Standards Institution specifications or according to the specifications fixed by the Quality Controller himself after careful scrutiny of materials and manufacturing processes. We recommend that the services of the ISI continue to be fully utilized for fixing standards. This Institution specialises in making standards and its work would become directly beneficial to the public if the quality control authorities cooperate with it.

402. The system of inspection is fairly satisfactory. Goods are usually inspected at places of manufacture except where laboratory testing is necessary. The proportion of manufactured goods inspected is fairly high ; in some cases the entire output is inspected. Products are sealed several times in the course of manufacture by different inspectors. This is an important safeguard against malpractices.

403. It is remarkable that the Quality Controller has been able to push this Scheme forward in so many industries and in spite of opposition from vested interests without any legislative sanction whatsoever,

404. But while these merits of the Scheme deserve commendation, many problems beset it at present and require early attention.

405. In the first place, the Scheme has reached a stage when some kind of legislative sanction seems to be called for. The voluntary nature of the Scheme is no doubt a good safeguard, *inter alia*, against malpractices. But it is doubtful if more than a small minority of the manufacturers in any handicraft could be persuaded to join the Scheme without legislative sanction. So long as a majority of manufacturers remain out of the Scheme, the minority which has joined it remains in an unfavourable competitive position owing to the slightly higher costs of production of quality goods.

406. Already special administrative inducements have been used to support the Scheme. In the case of Farrukhabad prints the Central Government allows free export of quality marked prints only. In the case of locks and other articles, preference is given to quality-marked goods in government stores purchases and in purchases by UP Handicrafts.

407. Without these measures, it is doubtful if so many firms would have joined the Scheme. To say this is not to belittle the importance of persuasion and voluntary consent. Voluntary consent should remain the basis of quality control. But it should be supported and supplemented by mild legislation.

408. In USA and Canada, quality control is, for the most part, voluntary. National standards associations administer the standards with the voluntary cooperation of technical bodies, manufacturers and consumers. Governments only encourage and recognise the work except in the case of drugs and foodstuffs.

409. But in our country, purely voluntary quality control is not likely to go very far. The situation created in our handicrafts by the shortsighted greed of the middlemen is such that without some legislation they cannot be rescued from it.

410. In Japan, the inspection of exported articles is compulsory under Law No. 153 of 1948. The Third Meeting of the Working Party on Small Scale Industries and Handicraft Marketing of ECAFE recommended that "for the domestic market .. inspection by producers' Associations was satisfactory ; for the export market inspection by Government agencies was necessary".

411. It seems to us that so far as exports are concerned, a central law on the lines of the Japanese Law should be enacted as early as possible. The law should be applied by notification to all handicrafts whose products are exported, one by one, as soon as State Governments concerned inform the Central Government that quality control schemes have been started, adequate administrative machinery has been set up and a good number of firms have joined the schemes.

412. In respect of handicraft goods consumed mostly within the country, the State Governments should enact milder laws which :

(i) give legal recognition to quality control ;

(ii) protect the quality control seals and labels ;

(*iii*) give powers of inspection to quality control staff ;

(*iv*) make membership of quality control schemes compulsory for registered cooperatives and government production Centres ;

(*v*) keep admission to and exit from the schemes voluntary for private manufacturers ;

(*vi*) provide for a legally recognised indemnity bond and security for those who join the schemes ;

(*vii*) give powers to the Government to announce, by notification, specific preferences to be given to quality-marked goods in respect of :

a. stores purchase ;

b. financial assistance ;

c. technical and marketing assistance from government institutions ;

d. preference in purchases by registered cooperatives ; and

e. internal and external publicity for quality-marked goods.

413. We believe that laws on these lines will preserve the principle of voluntary consent and yet provide the required status and impetus to the quality control movement. The preferences provided will be a strong inducement to manufacturers to join quality control schemes.

414. The powers provided for inspecting staff would give them the necessary authority but, admission and exit being voluntary, they would not be in a position to abuse them. And cooperatives would automatically enjoy quality control preferences.

415. Neither persuasion of producers nor legislation can suffice to place quality control on a sound and permanent footing unless it is accompanied by a vigorous programme of consumer education. Owing to inertia and lack of organisation, consumers have come to accept the present situation as a matter of course. Producers can palm off all sorts of goods to them and get away with it. But if consumers are organised and their organisations and cooperatives demand quality-marked goods, producers would not need to be laboriously convinced or induced to join quality marking schemes. Quality control would acquire a secure foundation in popular sanction. It is therefore recommended that :

(*i*) non-official bodies, like the Indian Cooperative Union, take the initiative in promoting consumers' organisations which press for quality control of consumers goods and their members to buy quality marked goods ;

(*ii*) all consumers' cooperatives be persuaded to sell quality marked goods ;

(*iii*) for every handicraft brought under quality control, joint advisory committees consisting of representatives of participating manufacturers and consumers be set up to popularize quality control and suggest improvements in the administration of quality control ;

(*iv*) the publicity campaign for the Quality Marking Scheme should be intensified.

416. At present the allotment for publicity in the budget of the UP Scheme is very inadequate. While commercial firms spend such large amounts of money to advertise shoddy goods, it is very necessary that consumers should at least be informed that quality marked goods are available from alternative source of supply.

417. This matter is of such importance that the All-India Handicrafts Board should consider granting subsidies to the State Governments specifically for the publicity of quality marked goods, both within the country and outside.

418. The All-India Handicrafts Board should also request the Central and State Governments to give preference to quality marked goods in their stores purchases.

419. On the production side, it is important for quality control authorities to see that in handicrafts brought under quality control, the supply of raw materials of standard quality is adequate. Quality control cannot succeed fully until standard materials are available. This means that in many cases quality control of materials and intermediate products will have to be introduced before the quality control of final products is undertaken. The Banaras brocades industry is a case in point. Quality marking is beginning to be introduced but for a long time it is bound to have limited success because fast dyed silk yarn and standard quality gold and silver thread are not manufactured and available to the weavers in adequate quantities. The maximum capacity of the Government Silk Yarn Dyeing Centre, recently started in Banaras, is only 12,000 lbs a year ; whereas the annual requirements of the Banaras brocades industry are estimated to be :

Mulberry silk	...	5,25,000 lbs
Raw silk	...	4,00,000 lbs

Private output of fast dyed silk yarn is insignificant. The output of gold and silver thread is adequate in quantity but unreliable in quality. Therefore, quality control of brocades will fully succeed only when :

(*i*) the supply of fast dyed silk yarn increases manifold from government and cooperative units ;

(*ii*) facilities for the training of weavers in the fast dyeing of silk yarn are made available on an adequate scale ; and

(*iii*) quality control of gold and silver thread is introduced.

420. The adequacy of staff is another important requirement of effective quality control. We noted that the inspecting staff of the Quality Marking Scheme have very low scales of pay. Clerical assistance too is inadequate. In a scheme of this kind, it is specially important that the staff is not underpaid or overworked ; otherwise, the integrity of inspection is likely to suffer. Therefore, in the budgets of quality control schemes the State Governments should make provision for raising the scale of inspectors and giving the Quality Controllers more staff assistance. The number of inspectors should not be rigidly fixed ; it should depend on the volume of inspection work and the Quality Controller should have freedom to alter it accordingly.

421. Provision should also be made for adequate testing equipment at the quality marking offices.

422. The Quality Controller should have a special library on standards. Considerable literature is available regarding the technical and administrative aspects of quality control in other countries. Valuable lessons can be learnt from a study of their experience. The standard of quality control administration is likely to be better if the officers know how problems which they face have been dealt with in those countries.

423. In countries where quality control is voluntary and non-official, it is financed through contributions from participating manufacturers. In our country, however, for a long time, the Government will have to bear the whole expenditure on quality control. There is little prospect of producers contributing to it. But we visualise that when quality control has become popular with consumers and profitable for producers, it should be possible for the Government to ask the participating manufacturers to contribute a part of the expenditure. A contribution by them towards publicity would be specially appropriate since centralised publicity of quality marked goods should save a part of their normal advertisement expenditure.

424. Finally, we wish to draw attention to one important aspect of the Quality Marking Scheme.

425. It is generally known that manufacturing dealers, even when they agree to quality control, do so on the understanding that only quality will be controlled. They are very allergic to any suggestion that quality control may be accompanied by any kind of price control as well.

426. Now, quality control may either be restricted, as it is in many countries, merely to laying down specifications for materials and workmanship, price fixation being left entirely to the manufacturers ; or its functions may be interpreted in broader terms. It may be used as an instrument not only for controlling quality but of influencing indirectly, prices, wage levels and profit margins.

427. We are very gratified to note that the quality Controller of UP actually takes this broader view of the functions and possibilities of quality control. In our country, owing to the present system of production and marketing, it is very likely that mere control of quality may lead the manufacturing dealers to raise prices or cut wages in order to maintain their competitive position and preserve their profit margins. There-fore, it is desirable that quality control is accompanied by fixation of flexible fair price maxima on the basis of the actual cost of specified materials, fair wages and profit margins.

428. We noted that the indemnity bond which every manufacturer is asked to sign in UP provides that :

> "no change in price, once approved by the Director of Cottage Industries, shall be made without the prior permission of the Director of Cottage Indus-tries and I/We shall stamp retail prices as approved by the Director of Cottage Industries on each article manufactured by me/us and marked with quality marking seal".

429. The Quality Controller fixes their prices on the basis of the actual cost of quality marked goods which is worked out in detail. In the case of Aligarh locks, the price is actually stamped on the locks along with the quality mark.

430. Though there is apparently no legal sanction behind the control of prices which is implied here, we feel that such determination of fair prices should always accompany quality control. It is not suggested that fair prices determined by the quality control authorities be made legally enforceable, for that would involve serious complications. Nevertheless, these prices can be made effective because the veil of secrecy in which costs are now shrouded will be lifted. The public will know what a quality marked article actually costs and what its fair price should be if fair wages are paid and only legitimate profit margins are included. Workers, too, will know what wages are included in the fair prices. And at least cooperatives and government centres will be selling quality marked goods at fair prices. In the circumstances it will not be easy for private manufacturers to overcharge their customers or fail to pay fair wages.

431. Thus quality control can unobtrusively but effectively usher an era of fair quality, fair prices, fair wages, and fair profit margins.

432. We recommend that other states should introduce and administer their quality control schemes on the basis of the suggestions outlined above in connection with the UP scheme.

433. As in UP, the schemes should be applied to selected trades and towns in the beginning and then extended to others. The table below shows the crafts and areas in which control will have to be applied in due course, and the nature of the control needed.

Industry	State	Centre	Nature of Quality Control Required
Dyeing and Printing	Andhra	Masulipatam	1. Colour fastness
	Bihar	Bhagalpur	2. Fabric used
		Muzaffarpur	3. Size
	Bombay	Ahmedabad	
		Baroda	
		Bombay	
	Delhi	Delhi	
	M. Bharat	Jawad	
	Madras	Madura	
	Rajasthan	Udaipur	
	Saurashtra	Rajkot	
	UP	Farrukhabad	
		Mathura	
	W. Bengal	Calcutta and suburbs	
		Serampur	
		Murshidabad	
		Midnapur and Nadia	

Industry	State	Centre	Nature of Quality Control Required
Woollen Floor Coverings	Kashmir Mysore Rajasthan UP Andhra Madras	Srinagar Bangalore Jaipur Mirzapur Ellore Wallajapet Salem	1. Nature of weave (knots per square inch etc.) 2. Colour fastness 3. Size 4. Yarns used
Brocades	UP Bombay Hyderabad	Banaras Surat Aurangabad	1. Quality of silk yarn 2. Quality of gold and silver thread 3. Colour fastness 4. Size
Ivory Carving	Delhi Mysore Rajasthan T. Cochin	Delhi Mysore Bangalore Jaipur Trivandrum	1. Check use of bone for ivory
Wood Carving and Inlay	Kashmir UP Mysore	Srinagar Saharanpur Mysore Bangalore	1. Quality of wood (Wood must be seasoned) 2. Quality of joining materials
Metalware (Brass, bell metal etc.)	UP Rajasthan Assam Orissa W. Bengal	Moradabad Banaras Jaipur Barpeta Bhuwaneshwar Vishnupur Calcutta	1. Composition of material 2. Composition of polishing material 3. Composition of filling material 4. Enamel 5. Joining 6. Size
Silver Filigree	Orissa Bombay	Cuttack Bombay	1. Silver content
Leather Art Goods	W. Bengal Bombay Madras	Calcutta Shantiniketan Bombay Madras	1. Quality of leather and tanning
Chikan Work	UP	Lucknow	1. Fabric used 2. Size
Zari	UP Delhi Bombay	Banaras Agra Lucknow Bareilly Delhi Surat Bombay	1. Quality of Silver and gold thread

ANNEXURE

JAPAN'S EXPORT INSPECTION SYSTEM[1]

According to a law promulgated in 1948 (Law No. 153) exporters or manufacturers in Japan are required to indicate clearly the standard and quality of each export commodity, failing which they are not permitted to export these goods. Coming under this law are 145 items including the following : 44 items of textile goods covering almost the entire range of the total exports of this category ; 26 items of sundries accounting for about 80 per cent of the total exports in this class ; three items of chemicals covering reagents, glycerine and chemical fertilisers ; 44 items of agricultural, forestry and marine products representing about 80 percent of the total exports in this category, and all items of drugs, medicines and combustion engines for ships.

Export commodities subject to grading and packing requirements

All export items requiring a statement of grades are so designated and announced in the *Government Gazette* by competent ministries according to law, and are roughly classified into two categories ; commodities requiring grading– 89 percent of textiles ; 79 percent of designated agricultural and marine products ; 64 percent of designated sundries and 41 percent of designated machinery and metals—and commodities required to comply with minimum export packing requirements. Commodities are graded as Grade A, Grade B, Grade C or Fancy A, Fancy B respectively, while the lowest quality commodities are designated Low Grade. The words ' Export Standard'' and ''Export Packing'' on packages are used to indicate that the goods satisfy the minimum export standard and the minimum packing requirements. Coming under this category are the following : reagents, chemical fertilisers, drugs and medicines, processed foodstuffs, electrical machinery and equipment.

Promulgation of export standards and packing requirements

The Ministry of International Trade and Industry (MITI), in consultation with the Ministry of Agriculture and Forestry, the Ministry of Public Welfare and the Ministry of Transport, decides upon the export standards and packing requirements. The government selects the goods to be graded and holds public hearings four times a year in large cities like Tokyo and Osaka to hear the opinions of the parties concerned, including exporters, manufacturers and experts, on the government proposals which are then referred to the Export Inspection Council, a subsidiary organ of MITI. The council, which has an advisory function comprises 60 members including experts in business and industry and the official staff of the government institutions concerned. Seven sub-committees deal with particular items. In examining the government proposals on designated items, export standards and packing requirements, the council is free to amend these in the light of statements made at the public hearings. After due consideration by the Minister of MITI, who approves the final draft, the latter is incorporated in the Government Gazette. The regulations come into force 30 days after publication in the Gazette.

1 Based on an article in Trade and Industry of Japan, No. 2, second quarter 1952, pages 30-33

Grading requirements and penalty for infraction

Two classes of persons ere authorised to execute the grading requirements for export commodities. For special machines, tools and other equipment requiring special knowledge and skill in inspection, it is done by persons registered as such with competent ministries or government institutions, totalling 88 registered inspection officers. For items other than the above, exporters or manufacturers themselves are required to make the inspection as to the quality of their export goods and to indicate the grade on each of them. The height of letters indicating grades or packing requirements must be over 3 mm. on the export commodity itself and over 10 mm. on packages. Exporters or manufacturers failing to comply with this regulation are liable to a prison term of not more than three years, or a fine of not more than 300,000 yens. On specific goods, which require special machines or technical knowledge for inspection, the qualifications of persons who make the necessary examination must be given. Registered inspection offices are subject to government inspection, and are liable to have their licences cancelled if they violate existing laws and regulations.

Government supervision

In order to exercise strict vigilance over private inspection institutions to safeguard overseas consumers, five special government organs have been set up, located in 68 places throughout the country, with an aggregate staff of 1,166. Government export commodity inspectors constantly visit business offices, factories and warehouses where export goods are kept to carry out checks at random on proper labelling, grading etc. Re-inspection is required of all goods not meeting the standards laid down ; these cannot be exported without the approval of the inspectors. Exporters and manufacturers have recourse to public hearings of any complaints they may entertain against grading and inspection.

There are 6 inspection institutes for machinery and metals, 17 for textile goods, 10 for sundries and 4 for agricultural and marine products, making 37 in all.

Chapter 8

DESIGNING

434. THE TRADITIONAL DESIGNING of Indian handicrafts is, on account of the social and psychological background, a complex amalgam of the influence of religion, the whim and vanity of rulers and lords, and the elemental experience, aesthetic genius and technical competence of the craftmen.

435. As one looks upon the traditional craft products of this country one comes across patterns of awe-inspiring beauty, expressing a vision and variety of form and feeling which has few parallels in the art treasures of the world. Here one can have a glimpse of the culture of the Indian people in all its infinite moods.

436. How much of this traditional treasure can survive the challenge of modernity ? The answer, as usual in such matters, depends on the capacity of its inheritors to adapt the traditional designing to the changing needs and attitudes of the modern man without destroying its essential spirit.

437. The need for change is imperative. We must squarely face the fact that very few handicraft products have a future absolutely in their present form. They may retain all their beauty according to traditional standards and yet die out. They may have great aesthetic value, but no effective demand. And in this age when the economic calculus dominates human choice and sovereignty lies with the people, even the most beautiful articles must appeal to the public at large or be extinct. The small minority which used to have taste as well as resources to patronise arts and crafts exclusively is fast disappearing.

438. The sentiment of traditionalism alone cannot take us very far for, where it is still very strong, namely, the villages, there is a dire paucity of buying power and where there is buying power, namely, the cities, the sentiment is weak. The city-dwellers of today, the middleclass intelligentsia and the commercial and administrative elites are so accustomed to the cheap, mass-produced, machine-made utility goods—and such a large volume and variety of them is available now-a-days — that they would not patronise handicraft products without special appeals and inducements. And if they would, they would like to have them in a very different form from what they are today, for their tastes and requirements have undergone a complete revolution.

439. Unless we understand this revolution we cannot guide design development along the right lines. Some of the salient aspects of the change may be enumerated as follows :

1. While previously the expensiveness of handicraft goods was not an obstacle to their sale, today it is. The modern consumer insists on cheapness.

2. There is a reaction against the over-elaborateness and the excessively ornate character of traditional designing. The modern consumer wants beauty with more simplicity, more plainness, more blank spaces and smooth surfaces.

3. The modern consumer wants as much beauty and variety in the geometrical construction and shape of the article as in the engravings, inscriptions, carvings, etchings and paintings on them.

4. The modern consumer wants, on the whole, a simpler colour composition than the earlier generation.

5. The modern consumer is insensitive to the religious themes and symbols which dominated craft designing in earlier periods. He wants design themes without any religious associations. There need be no depth or symbolic meaning in the design ; there should only be tangibility and recognisability of the contents in the ordinary perceptive experience of the ordinary man.

6. The modern consumer wants variety even at the expense of durability. He should be able to replace his articles for new, everchanging designs at short intervals.

7. The modern consumer is interested in the strictly traditional objects only as curios. Otherwise he wants beauty only as a supplement of usefulness. But the content of usefulness has itself changed because of changes in the pattern of consumption and the nature of the household. The hukka must give place to the ashtray, the cigarette holder and the cigarette box ; the carpet to the drugget and the durie ; the hanging lamp to the table lamp ; the heavy hall curtain to the light drawing room curtain ; the flat shoes to the highheeled sandals ; the articles of worship to the goods of sport.

8. There is no longer that old insistence on the purity of the material. But there must be cheapness. Thus imitation jewellery takes the place of pure gold and silver jewellery ; imitation gold and silver thread of real gold and silver thread ; white plastic of real ivory ; rayon and nylon of real silk ; chemical enamel of real enamel ; elastic plastic of leather.

440. Even this brief, illustrative description of some of the major changes in the public taste should give an indication of how difficult is the task that faces the craft designer of today. It is indeed even more difficult than that of the fine artist. The artist may still practise his art in esoteric isolation from the trends of public taste. But the craftsman must meet the public more than halfway or suffer eclipse. For in a sense he is more than an artist : he must combine beauty with utility and make the utensil embody the symbol. The Indian craft designer today must cater to the needs and tastes of a modern public—sometimes a public thousands of miles away—and yet remain loyal to the tradition of Indian art. As an artist he must assimilate the contribution of

modern aesthetics and yet create forms which are recognisably Indian. As a producer, he must produce goods with a finish and within the price-range which would make them stand comparison with machine-made substitutes. That again requires that he should be willing to take advantage of such aids as modern technics have to offer in carrying out routine processes and yet retain in the manufacture of his wares that uniqueness of each individual article, that personal touch and that artist's joy of creating beautiful forms without which handicrafts would not be handicrafts.

441. We have to avoid on the one hand the attitude of the extreme traditionalist who would rather have handicrafts die for want of a market than adapt their designs to modern conditions, and, on the other, the attitude of the extreme modernist who would either have only the cheap, blank smoothness of the machine-made, mass produced article with such beauty as the impersonal will of the machine could impress upon it, or have handicraft designs revolutionised by foreign experts. Either of these attitudes would be ruinous for Indian handicrafts. For they would either cease to be handicrafts or cease to be Indian.

442. It is clear that design development has to be informed by a clear sense of direction. Of course, the actual creation of new forms and patterns is a task for the artists and the craftsmen themselves. Official agencies promoting handicrafts ought not to lay down imperatives for them, but it is the duty of such agencies to suggest to the designer what to avoid from the point of view of marketability and the integrity of the Indian handicrafts, while fully respecting his freedom as an artist and creating conditions most conducive to spontaneous creativity.

443. Only those artists who have taste as well as technical mastery, a reverence for tradition as well as a sensitiveness to the spirit of the times can lead the movement for new designing. Fortunately such artists are available both in Government art schools and outside, and they are eager to do their best for the rejuvenation of Indian handicrafts if only official machinery approached them, trusted them and gave them the necessary facilities. The work done by the recently established design section of the Government School of Arts and Crafts, Lucknow, specially in developing new designs in prints, is eloquent testimony of what can be achieved.

444. Some training in craft designing forms part of the curricula of most government and some private art schools in the country, and specially in the following :

1. J. J. School of Art, Bombay
2. Government College of Art and Crafts, Calcutta
3. Delhi Polytechnic, Delhi
4. Central School of Arts and Crafts, Hyderabad
5. Government School of Arts and Crafts, Lucknow
6. Government School of Arts and Crafts, Madras

7. The Municipal School of Arts and Crafts, Madras
8. Kalakshetra, Madras
9. Shri Chamarajendra Technical Institute, Mysore
10. School of Arts, Nagpur
11. Government School of Arts, Patna
12. Government School of Arts, Punjab
13. School of Arts and Crafts, Jaipur, Rajasthan
14. College of Arts and Crafts, Viswa-Bharati University, Santiniketan
15. Cochin School of Art, Travancore-Cochin
16. Maharaja's School of Art, Trivandrum.

445. We recommend that apart from providing this routine training every art school must have a special Craft Design Development Section. This Section should collect and study the avilable design patterns in the crafts of the State in which the school is located. It should regularly develop new designs and make them available to handicraft manufacturing and marketing agencies for commercial exploitation.

446. Every Design Section should have a separate department responsible for the development of new designs for every important craft groups in the State—textiles, leather, woodwork, ceramics, stone, clay, ivory, horn, nonferrous metals etc.

447. Public marketing agencies should not have a monopoly of the designs developed by these Design Sections. These designs should be available at nominal rates (a) to co-operative marketing agencies, (b) to government marketing agencies and (c) to private traders in that order of preference.

448. These Design Sections and their departments should be headed by imaginative and experienced artists who also have practical working experience in at least one craft. They should also have on their staff mastercraftsmen with long manufacturing and designing experience on traditional lines. It should be clearly realised that a satisfactory development of new designs can only take place through the most intimate cooperation between the traditional craftsmen, designers and trained modern artists.

449. During our Survey we found that almost no liaison existed except in one or two States, like UP and Mysore, between the craft designing work of the art schools and the marketing agencies interested in the crafts. The new designs developed by the art schools lie as exhibits in their showrooms without being available to the industry for commercial use. We saw a large number of new designs with excellent commercial promise lying unseen and unknown in the closed showrooms of the art schools.

450. It is important that the Design Sections suggested above should work in close co-operation wiih handicraft manufacturing and marketing agencies. As new designs are developed the Design Sections should have samples made (at competitive costs) by

interested agencies. These may be tried out in the market and if they are found to be popular production may be undertaken.

451. Besides carrying out research in old designs and the development of new designs the Design Sections should also organise regular design competitions and exhibitions to encourage new creative activity in this field by students and private artists. Representatives of handicraft marketing agencies and artisans should be specially invited to attend the competition exhibitions. The designs displayed should be on sale and the competition winners given handsome prizes.

452. The Design Sections should be financed by the Industries Department (or the Cooperative Department, if it is responsible for the development of handicrafts) of the State Government. This outlay is in our opinion so imperative that where necessary the All India Handicrafts Board should finance the entire expenditure on the Design Sections.

453. It is to be noted that we have not suggested any central or regional schools of design for promoting design development. For any kind of centralisation would not, in our opinion, be favourable for the further growth of the numerous kinds of design-forms which have evolved in the different parts of the country. Moreover, the development of Design Sections in the art schools which already exist in most States seems to us to be an easier and quicker means of promoting design development than the establishment of new institutions. We also consider that the growth of craft designing would take place best in close conjunction with centres of fine art. Where, however, art schools do not exist or the necessary facilities are not available in them, Design Centres may be established in technological research institutes or other places where conditions are favourable.

454. The extension centres we proposed in the chapter on technical training should have design specialists on their staff. In order to reach artisans working in areas far away from state capitals, where the art schools are situated, and the extension centres, it is suggested that the Design Sections of art schools should have on their staff at least one travelling designer who should visit these areas regularly and render design assistance to independent artisans and their cooperatives. Our conception is that while continuous organised research and development of new designs should be carried on in the proposed Design Sections of Art Schools the "extension" of new designing to the artisans should be organised through the extension centres (proposed in Chapter 9) and the travelling designers.

455. Apart from the establishment of the Design Sections we recommend that the State Governments should grant every year, with the assistance of the All India Handicrafts Board, scholarships to working artisan-designers with at least five years' experience in every important craft for the purpose of taking full courses in art (with special emphasis on designing) at the art schools. To begin with, five such scholarships (each amounting to not less than the earning of a normal artisan) might be instituted in every important craft in every State.

456. It is also suggested that students taking craft courses should, if possible, be given some experience of actual designing for handicraft manufacturing agencies as a part of their training so that on completion of their courses they might take to craft designing if they are unable to specialise in fine art.

457. One aspect of design development is the adaptation of existing products for new uses while retaining their art form intact. Many such adaptations have already been made in recent years with the result that new demand has been created for handicraft goods which had been going out of fashion. The table below contains an illustrative list of such adaptations :

Old Article	Modern Adaptations
1. Screw pine mats	embroidered and used as hats, handbags, belts and tea cosies.
2. Orissa cotton weaves (curtain material)	skirts, place mats and napkins.
3. Cane and wicker (furniture and baskets)	lamp stands, lamp shades, vases and handbags.
4. Copper artware (polished and oxidised)	lamps, vases, napkin-rings, ash trays, tumblers, water jugs, cigarette boxes and fruit bowls.
5. Sea shells	vases, lamps, ash trays, brooches and eartops.
6. Coconut shells	vases with copper edging, ash trays and coconut heads.
7. Old-fashioned jewellery (anklets)	ash trays, door handles and vases.
8. Palm leaf baskets	baby chairs, trays, boxes, wastepaper baskets, handbags and dirty clothes baskets.
9. Puri paintings	greeting cards and calendars.
10. Khes weaves	place mats, napkins and tray cloth.
11. Earthen tavas	wall plates.

458. Design development agencies should continue to explore such possibilities fully. But in making these readaptations it is important to bear in mind the principle that the integral unity of the aesthetic form of an object conceived with reference to a particular function should not be lost in the process. Redesigned for a new use, the article should have a new integral unity of form in its new role. This requires that readaptations, though they may proceed from random suggestions made by customers, merchants or others, should actually be carried out only under the advice of competent artist-designers.

Chapter 9

RESEARCH, TRAINING AND EXTENSION

THE MOST VITAL CONDITION OF PROGRESS in handicrafts, as in other industries, is the improvement of tools and processes.

The problem of technical improvement has three aspects :

(*a*) the organisation of developmental research,

(*b*) technical training, and

(*c*) the organisation of the extension of the results of research to the working artisans.

RESEARCH

459. At present facilities for research which would be of direct benefit to handicraft industries are very inadequate. The National Laboratories under the Council of Scientific and Industrial Research, the research institutes specialising in textile technology, jute technology, oil technology etc. and University departments carrying on research are mostly occupied with problems of large scale mechanised manufacture. But there are a few research institutes in the country which have carried out some research in the processes of cottage industries including handicrafts. Among these mention may be made of the following :

1. The Village Industries Experimental Workshop, Poona
2. The Harcourt Butler Technological Institute, Kanpur
3. The Central Weaving Institute, Banaras
4. The Central Wood Working Institute, Bareilly
5. The Bengal Ceramic Institute, Calcutta
6. The Central Leather Research Institute, Madras[1]

460. We visited some of these institutions ; and feel that facilities do exist in these institutes for research in the technical problems of handicrafts. But a reorientation of the attitude of the authorities governing these institutes is needed so that they may begin to give due priority to the problems of small units in their research programmes. And substantial grants should be given to them by the State Governments, with the

1 An account of the work done at these places may be found in the 1952-53 issues of the Journal of Industry and Trade,

assistance of the All India Handicrafts Board, for the specific purpose of research in handifraft techniques.

461. While the research facilities available in these institutes ought to be expanded and fully utilised, there is, nevertheless, need for a Central Handicraft Development Centre to carry on concentrated research in handicraft techniques, and to lead, co-ordinate and disseminate information about research conducted in the specialised institutes.[1]. The Centre should have an experimental workshop with five major sections dealing with metal crafts, woodwork, ceramics, textiles and leather, and a section dealing with miscellaneous handicrafts, not covered by the five major groups such as ivory, horn, stone-carving etc. The workshop should be well-equipped to conduct integrated research.

462. An estimate of the equipment and finances required for such a Centre is given in the appendix to this chapter.

463. It is necessary here to state a few basic principles which should, in our opinion, guide research in handicraft techniques, for in the absence of guiding principles, research for improving handicraft techniques is either not undertaken at all or results in the complete supersession of handicrafts by mechanised mass-production.

464. For evolving improved methods and equipment for handicrafts, research institutes must first of all study thoroughly and exhaustively the traditional methods and equipment, for in most cases a great deal of empirical wisdom and subtlety is embodied in them. The technician trained on modern scientific lines all too often ignores and looks down upon all that is traditional and seems to consider improvement synonymous with the blind and unthinking importation of foreign techniques. But in doing so he not only causes injury to the national genius but also produces dangerous economic and social consequences in the name of progress. No given technology is the best, economically and sociologically, for all societies. And, therefore, every society must evolve a technology suitable to its own economic and social circumstances and aspirations. *In the context of our circumstances and aspirations, the equipment for handicrafts should have very low capital cost ; it should be capable of being employed by and in small individual and cooperative units ; and it should increase efficiency and reduce costs without causing much labour displacement.* These conditions would define the 'optimum' in the factor-endowment situation (abundance of unemployed manpower and paucity of capital) that obtains in this country ; and if they are implemented, they would radically prevent the concentration of wealth and power which is inherent in overmechanised mass production. In the handicraft field the real duty of our scientists and engineers is to develop equipment conforming to these conditions, and not to introduce foreign modes of production indiscriminately. The need for such equipment is a challenge to our scientists' originality, inventiveness and sensitiveness to the nation's peculiar needs. Some progress in the development of such equipment is already being made in some of the institutes mentioned above. But it is necessary that research in this direction is multiplied manifold.

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1 The All India Handicrafts Board has already accepted this proposal in principle and it is now being considered by the Government of India.

465. We may mention a few lines of research which may be immediately undertaken :

1. Research in indigenous fast dyes and dyeing processes.
2. Research in the coloured enamelling of brassware now being carried on in Moradabad so as to preserve the shine for longer periods.
3. Research in local clays and mixtures for the manufacture of pottery.
4. Research in the process of 'transferring' coloured designs onto pottery. (At present it seems that transfer paper is not manufactured in this country with the result that new Indian designs cannot be transferred to India pottery.)

TRAINING AND EXTENSION

466. In all handicrafts traditional training is still imparted on the basis of the old system of apprenticeship. Apprentices, who are mostly craftsmen's own children start learning the craft at the early age of 8 to 10 years (sometimes even less). They start earning something after a short time and become working artisans in three to seven years depending on the nature of the craft.

467. Besides this traditional training system State Governments run technical training schemes under which training in crafts is imparted in government training schools or centres. Stipends are given to some of the trainees. The large number of training centres started under the refugee rehabilitation schemes by the Central Government have also been handed over to the State Governments.[1]

468. In some states, particularly UP, there are combined training and production centres run by the Industries Department.

469. We studied the working of a large number of government training centres in different states. And the quality of training imparted, so far as handicrafts are concerned, is in no way better than that of traditional apprentices ; if anything, it is worse. The trainees in most of these centres are taught to produce conventional products, in the conventional designs, with conventional methods and processes.

470. In some centres training is imparted in the use of expensive power machines. But this is not of much use because after training it would be impossible for the trainees to start handicraft units of economic size equipped with those machines.[2]

471. Thus, after training, trainees have to seek work in the old workshops under old masters who generally prefer to employ their own apprentices rather than persons train-

1. For a list see Journal of Industry and Trade, June 1952, page 766/67.

2. For one thing, they are not likely to have the necessary capital—not even from the government ; for another, the nature of handicraft production is such that the installation of power machines—as in some government carpentry and metalware centres—without a careful consideration of their capital cost and the difference they would make to the unit cost of the product, is not always justified from the economic point of view. As already stated above machines suitable for handicrafts will have to be specially devised. The processes which can be mechanised and centralised with economic justification have themselves to be determined by technical and economic experts.

ed in Government centres ; or they have to cease to be cottage workers and become wage-earning workers in large factories ; or else they remain unemployed. The proportion of ex-trainees who are remuneratively absorbed in independent cooperatives in the crafts in which they have been trained is very small.

472. It appears that a good number of trainees join the training centres only because of the stipends they receive. They have either no intention or no opportunity to pursue the crafts which they learned.

473. Unemployment in most handicrafts is already very large. The routine training of additional recruits in government centres only tends to swell further the ranks of the unemployed.

474. In view of these considerations the whole policy underlying the training schemes of the Government needs to be revised so far as handicrafts are concerned.

475. The routine training of fresh recruits should be left, for the time being, to the old apprenticeship system. It seems to us to be wasteful for Government to spend money on providing to a few more students, in crafts which are already overcrowded, the same kind of training which they could as well receive from accomplished masters in the traditional way. Public expenditure on handicraft training is necessary and fruitful only when distinctly improved methods and processes or the use of new equipment are taught to the working artisans.

476. The centres where routine training classes are being run at present should be converted into extension centres. Their role should be to act as liaison agencies through which the results of research in handicraft techniques and designs carried out in the higher technical and art institutes are 'extended' in a simple, practical form to the working artisans. In other words, they should become the vanguards of the movement for the improvement of techniques and designs. They should discover and refer the technical problems of the craftsmen to the higher institutes, obtain solutions and communicate them to the craftsmen. They should impart free instruction to *working artisans*, not fresh recruits—in using improved methods and equipment and developing new designs, either in their own premises or in the premises of the artisans themselves (through mobile demonstration parties organised for the purpose). Where any improved equipment is beyond the financial capacity of individual artisans, it should be supplied to them through the extension centres either free or at a nominal price provided that they form cooperatives.

477. For advanced training the Government should expand the capacity of the higher technical institutes and increase the number of stipends and scholarships given to the trainees joining them. In the selection of trainees preference should be given to working craftsmen. This will ensure that workers already trained in the tradition will be able to get the additional benefit of modern training and thus rise to a higher level of technical competence.

478. If in some crafts a special situation exists in which instead of unemployment, there there is a shortage of trainees, or danger of the traditional skill of old masters being lost, the government should liberally subsidise the training of new apprentices under these masters. The subsidy should be given to the masters to enable them to maintain a few pupils of their own choice. For old masters would transfer their advanced skill only to pupils who owe exclusive allegiance to them.

479. A study of the working of some of the production centres now run by the Government shows that their administration tends to be top-heavy, dilatory and lacking in efficiency ; costs of production are usually higher than in private units ; and achievement in terms of improvement is not too significant.

480. We feel that Government production centres should be established only when a new industry is to be introduced in a certain area or the manufacture of radically new or improved products or designs with good prospects is to be tried out and introduced, and it is not possible for private and cooperative units to undertake the initial risks. In other words there is need for Government units only when they can render developmental service. Eventually these units should become cooperatives.

481. The knowledge of new tools and processes and the new designs developed by these centres should be freely placed at the disposal of private and cooperative units so that the improvements are taken up by the whole industry. In no case should Government centres have the monopoly or quasi-monopoly of technical knowledge or designs.

482. For altering the organisational structure of production and marketing, what is required is not so much the extension of Government enterprise as such, as the establishment of more and more industrial and marketing cooperatives to whom Government gives the fullest possible legal, technical and financial assistance.

483. Government can render valuable developmental assistance by setting up "common facility shops" where all the processes of a craft are not carried out but where semi-processed and semi-finished materials are supplied to the artisans and one or two finishing processes are carried out on very easy terms. For in many handicrafts it is not so much workmanship which needs to be improved as the treatment of the material, and the finish. Thus, in the silk brocade weaving industry, the main requirement is the supply of fast-dyed silk yarn ; in the handloom blanket and carpet industries, the supply of good, fast-dyed wool and common finishing shops ; in woodwork industries, the supply of seasoned wood ; and in the brassware industry, common tinning and polishing shops. But even these common facility shops if set up by the Government should be turned into cooperatives as soon as possible.

484. It is further necessary that Government production centres and common facility shops should be kept distinct from training and extension centres, at least financially. The present system of combined training and production centres has the great disadvantage that grants given by the Government for purposes of training keep production cost ostensibly low while actually, if all overhead and primary expenses are included, costs in these centres are higher than in private units. Almost the entire overhead expenditure is charged to the training establishment grants and paid out of the public exchequer.

In the commercial operations accounts, only a small percentage (5—6¼) is added to the prime cost of labour and materials on account of overhead expenses. A similar small percentage is added as "profit". The cost thus worked out is illusory and so is the "profit" shown in commercial operations accounts. Thus real cost comparisons between Government and private production centres are rendered extremely difficult. We feel that the financial separation of training or extension centres from production centres is the only way to remedy this situation. The former will have to be subsidised by the Government but the latter should be asked to keep their accounts and work out their costs and profits on strictly commercial lines. They must include all their overhead expenses in their costs as commercial firms do. If their costs are then higher than costs in other units or the market price and their losses have to be subsidised by the Government, the Government and the public will at least know how things stand. It is also necessary that the full accounts of Government production centres should be placed before the public and the legislature along with the Annual Reports of the Industries Department. This is not being done at present in many States.

485. The Government should also consider giving to Government officers in charge of production centres a small bonus on the net profit of the respective centres on the basis of the revised commercial costing, and imposing on them a similar penalty on net losses above specified maxima. This may be an effective incentive for them to work with greater interest and efficiency.

486. Finally, persons in charge of extension centres, production centres and common facility centres should invariably have technical qualifications and should have actually earned their living for at least one year in some handicraft unit. At present all Government centres are run, at the managerial level by officers with academic qualifications and administrative experience but no commercial experience, and, at the lower level, by technical graduates without personal manufacturing or commercial experience. Both lack the intimate personal knowledge of operational problems without which commercial undertakings cannot be successfully run. If, as suggested above, they have practical experience of a handicraft unit, they would acquire the necessary awareness of the need for economy and for continuous adaptation to changes in demand. In the case of instructors it is further necessary that they should not only have had theoretical and practical training but also training in the best methods of craft instruction.

HANDICRAFTS DEVELOPMENT CENTRE

Estimate of equipment and finances required

NON-RECURRING

	Shop		Machinery & Equipment (Rs. in lacs)	Buildings (Rs. in lacs)	
1.	Central Experimental shop	...	1.50	1.00	
2.	Woodworking shop	...	1.00	1.00	
3.	Metal Craft shop	...	1.50	1.00	
4.	Ceramics shop	...	·75	·50	
5.	Textile shop	...	1.25	1.00	
6.	Leather craft shop	...	·30	·50	
7.	Miscellaneous	...	1.15	.70	
		TOTAL	7.45	5.70	(say 13 lacs)

RECURRING :

Salaries and wages	...	1.25 lacs	annual	
Materials	...	1.50 lacs	,,	
Miscellaneous	...	.25 lacs	,,	
		Rs. 3.00 lacs	,,	(Rs. 3 lacs)

Total ... Rs. 16 lacs

List of Equipment and Machinery

CENTRAL EXPERIMENTAL SHOP :

			Rs.
1.	Woodworking lathes	...	2,500
2.	Shaper	...	4,500
3.	Radial saw	...	3,000
4.	Bench saw	...	2,000
5.	Band saw	...	3,500

		Rs.	
6. Planer	...	11,500	
7. Joiner	...	4,000	
8. Floor drill	...	1,200	
9. Portable drill	...	200	
10. Surfacing machines	...	6,000	
11. Machine maintenance equipment	...	12,500	
12. Tools for fibre work	...	4,000	
13. Equipment for design and art work	...	4,000	
14. Forging equipment	...	2,500	
15. Machine Tool accessories	...	1,500	
16. Hand Tools	...	5,000	
17. Attachment and accessories for machines	..	12,500	
18. Sample models of equipment	...	25,000	
19. Sample model of craft articles	...	12,500	
20. Photographic equipment	...	5,000	
21. Duplicating equipment	...	4,000	
22. Half ton truck	...	12,500	Rs. 1.50 lacs

WOODWORK PRODUCTION SHOP :

1. Router-shaper	...	4,500
2. Lathes	...	2,500
3. Bench Saw	...	3,000
4. Band saw	...	3,500
5. Joiners	...	5,000
6. Floor drill	...	1,200
7. Mortiser	...	4,000
8. Drying kiln	...	30,000
9. Finishing equipment	...	7,500
10. Tools for bamboo and rattan	...	1,200
11. Portable electric tools	...	3,500
12. Surfacing machines	...	4,500
13. Hand tools	...	4,000
14. Dovel machine	...	1,000

		Rs.	
15.	Accessories for machines ...	12,000	
16.	Sharpening machines ...	2,000	
17.	Bench vices ...	2,000	
18.	Glue clamps ...	1,200	Rs. 1.00 lac

METALCRAFT SHOP :

1.	Metal forming machines ...	12,500	
2.	Hand tools ...	10,500	
3.	Spinning lathe ...	2,500	
4.	Forming moulds and dies ...	15,000	
5.	Jewellery tools ...	6,000	
6.	Forging equipment ...	12,500	
7.	Heat treating equipment ...	10,000	
8.	Soldering and brazing equipment ...	7,500	
9.	Metal enamelling furnace ...	1,200	
10.	Accessories for machines ...	10,500	
11.	Drills ...	3,500	
12.	Rivet equipment ...	1,200	
13.	Power presses and milling machine ...	30,000	
14.	Guillotine shear, circle shear ...	10,000	Rs. 1.50 lac

CERAMICS SHOP :

1.	Crushing and washing equipment ...	10,000	
2.	Clay filter equipment ...	12,500	
3.	Plaster moulds ...	7,500	
4.	Moulding and Turning tools ...	2,500	
5.	Drying equipment ...	6,000	
6.	Ball mills ...	2,000	
7.	Glaze screens ...	1,000	
8.	Glaze sprayers ...	5,000	
9.	Kilns ...	25,000	Rs. 0.75 lac

TEXTILE SHOP :

1.	Vat dyeing equipment ...	15,000	
2.	Washing and shrinking equipment ...	20,000	

		Rs.	
3.	Centrifugal extractors ...	10,500	
4.	Dryers ...	5,500	
5.	Looms ...	30,000	
6.	Warping ...	6,000	
7.	Winding ...	5,000	
8.	Equipment for silk screen ...	4,000	
9.	,, for block printing ...	3,000	
10.	,, for hooked and knotted rugs ...	10,000	
11.	Sewing machines ...	5,000	
12.	Pressing equipment ...	1,200	
13.	Loom lights and accessories ...	6,000	Rs. 1.25 lac

LEATHERCRAFT SHOP :

		Rs.	
1.	Leather working machines ...	10,500	
2.	Sewing machines ...	6,000	
3.	Handtools ...	4,000	
4.	Leather carving and stamp tools ...	2,000	
5.	Punches, button setters, accessories ...	4,000	Rs. 0.30 lac
	Foundry equipment, miscellaneous machinery, accessories, fittings		Rs. 1.15 lacs
		GRAND TOTAL	Rs. 7.45 lacs

Chapter 10

FINANCE AND ORGANISATION

FINANCE

488. ALL INDIAN HANDICRAFTS suffer from a chronic financial stringency in respect of their short-term as well as long-term requirements. In fact, it may be said that there is hardly any financing in the real sense of the word. The artisan lives from hand to mouth on the basis of advances for subsistence and raw materials received from the merchants. And most of the merchants having very little working capital uncomfortably wait for sale proceeds to come in before making payments to the artisans. At no point in the chain of production and marketing is there sufficient staying power or easy financial accommodation. Where there are some resources they are used for usury and the imposition of unfair terms on the working artisans. Thus Indian-handicrafts are financed for the most part by the privation and abstinence of the artisans and the usury of the prosperous merchants.

489. The whole question of the financing of small industries was recently examined by the Reserve Bank Committee on Finance for the Private Sector. Though the Com mittee was mainly concerned with industries which are "engaged largely in the production of articles that are ancillary to or competitive with the products of the so-called large scale industries" and "which consist of units with assets say, between Rs. 10,000 and Rs. 5 lakhs" their analysis and recommendations are equally applicable to the problem of financing handicrafts. Handicraft units often have assets less than Rs. 10,000, but, being neither strictly in the category of "village industries" nor "industries allied to or competitive with large scale industries", they have a special position and should be included within the scope of "small industries" for purposes of financial assistance.

490. At present, possible sources of finance for all kinds of small industries—village industries, handicrafts, small-scale industries etc.— are the same :

1. shroffs, private traders and other moneylenders,
2. commercial banks,
3. assistance under the State Aid to Industries Act or Rules,
4. the State Financial Corporations, and
5. the State Cooperative Banks.

But the amounts actually flowing to handicraft producers and dealers from agencies other than private moneylenders is negligible.

491. Valuable recommendations have been made by the Reserve Bank Committee in order to facilitate and expand the provision of finance to small industries by these agencies. We urge that they should be implemented as speedily as possible. The main recommendations of the Committee are reproduced below[1].

> "The Committee feels that if the registration fee on hypothecation bonds of proprietary firms and partnerships registered with the Registrar of Assurances, which is payable on an *ad valorem* basis at present could be reduced to Rs. 5, it would facilitate the grant of loans to such concerns by commercial banks.
>
> "The Committee is of the opinion that in order to render effective help to small industries under State Aid Acts or Rules, larger provisions should be made in the budgets of Governments.
>
> "The Committee feels that procedural difficulties have tended to make the State Aid to Industries Acts much less useful than they might have been and, therefore, recommends that every effort should be made by Governments to simplify the procedure as much as pos ible.
>
> "The Committee considers it essential that proposals for establishing State Financial Corporations must have the approval of the Reserve Bank of India which should carefully examine the scope for such an institution in the State concerned.
>
> "The Committee recommends that the Government of India should take steps to amend the State Financial Corporations Act, 1951, in a manner that will permit joint working of a financial corporation by two or more adjoining States.
>
> "The Committee recommends that initially the personnel responsible for managing the affairs of State Financial Corporations should be selected in consultation with the Reserve Bank of India.
>
> "The Committee hopes that the Reserve Bank will pool its knowledge of the working of the existing financial corporations and evolve standard rules for the proper conduct of business by these organisations."

492. We would like to add that a definite proportion of the funds of every State Financial Corporation should be reserved for granting credits to handicraft manufacturers and dealers. For this purpose, the minimum assets requirements of borrowers may have to be lowered. It is imperative that State Financial Corporations give due priority to the financial needs of cottage industries in their lending programmes. With the large resources already placed at their disposal they can do much to meet their requirements.

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[1]Report of the Committee on Finance for the Private Sector, p, 107-108,

493. Commercial banks do not, as a rule, interest themselves in handicraft finance in view of the extra risks involved. But they should be persuaded to revise their attitude and start giving advances against handicraft stocks more liberally. The local branches of important commercial banks located in handicraft towns, should be given more discretion in handling loan applications from local dealers. In order to encourage banks to make advances to handicraft dealers it is essential for the Government to furnish small enterprise credit insurance as in Japan[1].

494. We suggest that the All India Handicrafts Board should establish a Handicraft Credit Insurance Fund for guaranteeing loans given to bonafide handicraft dealers by recognised banking institutions and their branches to the extent of 75 percent.

495. Supported by guarantees from this Fund the commercial banks will be able to meet to a large extent the needs of private traders. But the homeworking artisans and small workshop-owners cannot be reached by the banks. Under present conditions the only means of providing relief to them, apart from the small assistance given under the State Aid to Industries Acts, is that the district depots set up under the State emporia should purchase their finished products against outright cash payment.[2] In due course raw materials advances may also be made. The volume of these purchases should be deliberately kept at a high and rising level.

496. As regards artisans' cooperatives there would be two sources of finance. Normally cooperative banks should be expected to finance them. So far cooperative banks have been able to provide negligible accommodation to industrial cooperatives. But they will have more funds for the purpose under the new scheme of re-organisation of co-operative credit.

497. As in the case of commercial banks the Government will have to provide credit insurance if cooperative banks are really to accommodate artisans' cooperatives satisfactorily. Therefore the Handicraft Insurance Fund suggested above should also cover loans made by cooperative banks to handicraft cooperatives.

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1. In Japan "with respect to loans of equipment funds or operation funds in amounts less than Yen 5,000,000, per case for periods longer than 6 months, extended to smaller enterprises (company, individual, or Smaller Enterprise, etc. Cooperative Association with a capital of less than Yen 5,000,000 and with less than 200 employees) by a banking institution (bank, Mutual Aid Financing Company, the Central Cooperative Bank for Agriculture nnd Forestry, the Central Bank for Commercial and Industrial Cooperative and Credit Cooperative Association), the government guarantees the banking institution concerned a refund up to 75 percent of the value of the loan." (ECAFE/I & T/CIWP. 3/7 Annex B, p. 10)

2 cf. Chapter 3 above where we stated : "The provision of ample and cheap credit to the lakhs of small artisans may yet take a long time, but if, meanwhile, public marketing agencies begin to pay them outright against their supplies, it would be a great relief to them and help them to win a measure of independence from the dealer and the moneylender." (p. 3-13)

> "We suggest that the sales depots established in the district towns should also function as purchase depots on behalf of the main emporium of every state. They should receive goods, inspect them and make payments on behalf of, and according to the instructions of, the emporium. In order to cover areas from where substantial supplies are drawn but no such depots exist emporia should have their own field organisers to ensure production according to specified standards and timely deliveries." (p. 3-14)

498. In addition, the All India Handicrafts Board should directly give liberal development grants to pilot cooperatives as suggested in Chapter 4. Further, the financial position of cooperatives will improve as emporia begin to make most of their purchases (outright) from cooperatives directly or through their district depots.

499. We turn to the financial needs of public emporia. The following table shows their working capital and turnover.

WORKING CAPITAL AND TURNOVER OF PUBLIC EMPORIA

Name of the emporium	Working capital (in lakhs Rs.)	Sales (in lakhs Rs.)	Ratio of working capital to sales (percent)	Remarks
Assam (G) 1953-54)	1.75	2.68	65	Loan of Rs. 1 lakh at 2 percent—grant Rs. 75,000 received from government between 1922-48.
Assam (C) (1950-51)	0.76	0.35	217	Assets acquired of the late Assam Industries Association.
Bihar (G) (1952-53)	5.00	3.05	164	The Emporium has a standing commercial grant of Rs 4 lakhs annually, and Rs. 1 lakh for establishment from Bihar Government.
Bombay (C) (1952-53)	3.00	5.79	52	Rs. 230,000 from State Government Loan. Rs. 70,000 from Provincial Cooperative Association at 4½ percent.
Delhi (CCIE) (1953-54)	2.46	12.9	19	Loan of Rs. 196,000 from Central Government in 1953, interest at the bank rate chargeable after 5 years.
Hyderabad (G) (1952-53)	6.50	2.62	248	Interest free loan of Rs 250,000 from Industrial Trust Fund. Interest free loan from State Govt. of Rs 4 lakhs.
Kashmir (G) (1953-54)	17.5	30.0	58	Loans from State Govt. at 4 percent interest.
Kashmir (C) (1952-53)	0.24	0.78	31	Loan of Rs. 24,000 from Central Cooperative Bank, Kashmir.
Madras (VTI) (1952-53)	7.28	5.00	146	Rs. 561,000 invested mostly in Govt. Loans. Most of its assets acquired over the last 50 years by public subscriptions and endowments. The Govt. has been making grants for travelling—the unspent balance in 1953-54 —Rs. 41,000.

Name of the emporium	Working capital (in lakhs Rs.)	Sales (Rs in lakhs)	Ratio of working capital to sales (percent)	Remarks
Bangalore (G) (1952-53)	0.16	1.40	11	State Government.
Mysore (G) (1952-53)	2.00	2.37	78	Rs. 200,000 commercial operations annual grant (for production and sales).
Orissa (G) (1952-53)	3.65	5.30	69	State Government
UP (G) (1953-54)	10.00	8.69	115	State Government.
Rajasthan (G) (1952-53)	0.42	0.13	323	Rs. 42,000 grant for commercial operations from State Govt.
West Bengal (G) (1953-54)	0.10	1.29	8	Establishment expenses borne by West Bengal Government. Revolving capital only Rs. 10,000 from the State Government.

500. It would appear that the ratio of capital to turnover differs widely from emporium to emporium.

501. We recommend that in approving assistance to emporia the All India Handicrafts Board should follow the principle that every emporium should have at its disposal working capital amounting to about 33 percent of its annual turnover. This means that emporia whose working capital is less should be given assistance so as to bring it up to the required amount. As the turnover increases, further assistance should be given in subsequent years to keep the working capital ratio at 33 percent.[1]

502. Column 5 of the table indicates that the main source of capital of most of the public emporia is a government loan. In some states it is a standing government grant. We feel that in the case of all public emporia loans should be converted into standing grants. If capital amounts are returnable the emporia have to make provision for it by charging higher prices. Handicraft prices are already too high to admit any further increase ; nor are they being subsidised like handloom and khadi prices. Therefore the conversion of government loans to public emporia into standing grants is the least that should be done to keep prices down and to promote sales expansion.

503. Grants for non-recurring expenditure on new emporia and district depots (set up in accordance with the plan suggested in chapter 3) should be separately given. Grants for recurring expenditure should be given for the first three years.

1 The table above would show that some emporia are in need of additional working capital on this basis, while others need to use their present funds more effectively.

504. In September 1954 the All India Handicrafts Board decided to set aside a fund of Rs 10 lakhs for granting short period loans to marketing agencies against firm orders. We recommend that pending the establishment of the Export Guarantee Fund, and the Handicraft Credit Insurance Fund suggested above, this fund should be used :

(a) to provide loans to exporters against firm orders, and

(b) to guarantee (to the extent of 75 percent) loans from banks to handicraft marketing agencies engaged in internal trade.

The size of this fund should be increased as need arises. And the procedure of granting loans and guarantees should be as simple and speedy as possible.

ORGANISATION

The Central Handicrafts Marketing Committee

505. One of the questions considered by the first conference on the marketing of handicrafts held in Trivandrum in February 1953 was that of the organisation which the All India Handicrafts Board should set up for promoting the marketing of handicrafts in India and abroad. But a decision was deferred until the marketing survey was completed.

506. Having surveyed the problem of marketing as it exists at present and the working of the existing agencies, we recommend the setting up of a Central Handicrafts Marketing Committee (CHMC). This Committee should not be an operating body actually undertaking the purchase and sale of handicrafts. The operating network for the marketing of handicrafts should consist of the public emporia run by the State Governments or State-assisted cooperative institutions. The Committee should function mainly as an all-India promotion and coordination agency. It should define general principles for the working of public emporia ; it should promote the extension of organised public and cooperative marketing (in accordance with the recommendations made in chapter 3 ; it should define and readjust from time to time the mutual commercial relationships between public emporia and remove any frictions that might arise ; it should organise publicity, market research and intelligence on an all-India basis ; and generally take all necessary measures to promote the maximum inter-state trade.

507. The Committee should consist of one representative of each public emporium in India and some artisans', consumers' and dealers' representatives. It should be financed by and work under the All India Handicrafts Board, and its executive work would be carried on by a Marketing Officer who should be the Member-Secretary of the Committee.

508. There is no need for the establishment of regional marketing offices within the country, as the public emporia will carry the main responsibility of developing markets

in their respective regions with the general help of the Central Handicrafts Marketing Committee.

509. In due course when a sufficiently broadbased structure of craftsmen's cooperatives has come into existence and the management of public emporia has passed into the hands of cooperative federations, the time will be ripe for setting up an All-India Handicrafts Marketing Federation to supersede the Central Handicrafts Marketing Committee.[1]

The Export Promotion Section

510. The Central Handicrafts Marketing Committee should have an Export Promotion Section which should undertake export promotion activities (suggested in chapter 6) *viz.* external publicity, foreign market research and intelligence, legal advice, exchange of trade delegations, improvement of government showrooms, participation in international exhibitions etc.

511. The Export Promotion Section should assist and coordinate the working of the Export Sections of the emporia. Three emporia have set up special Export Sections so far *viz.* the Central Cottage Industries Emporium, UP Government Handicrafts and the Kashmir Arts Emporium. The volume of business transacted by them is shown below :

1953-54	Rs. lakhs	
Central Cottage Industries Emporium	2.98	
UP Government Handicrafts	2.27	
Kashmir Government Arts Emporium	3.00	approx.
	8.25	

512. Besides these three emporia, a few others have developed some export sales without having special export sections :

	Rs. lakhs	
Textile Marketing Organisation, Orissa	2.5	approx.
Bihar Government Sales Depot, Patna	1.0	,,
Victoria Technical Institute, Madras	0.18	,,
Small Scale Industries Depot, Bombay	0.10	,,
Government Sales Depot, Hyderabad	0.10	,,
Bengal Home Industries Association, Calcutta	0.10	,,
	3.98	

1 The All India Handloom Board has already sponsored an All India Handloom Fabrics Marketing Society because the handloom industry has a much larger cooperative sector than the Handicraft industries.

513. Thus the foreign sales of public emporia amount to only about Rs. 12 lakhs. It should be possible to increase them substantially. But it is important that export business should be undertaken only by emporia which have the necessary organisation and qualified personnel for rendering efficient service to importers. It is not necessary that every emporium should immediately have an export section. States which do not produce many articles with good export prospects can utilise the services of the existing export sections of other emporia for their small export business.

514. We have stated above that the Central Handicrafts Marketing Committee should not, as a rule, undertake business transactions. But we would like to make an exception in the case of its Export Promotion Section. We feel that a major step which must be taken to promote the export of handicrafts is the establishment of sale emporia in a few important cities abroad. To begin with, seven emporia might be opened, in New York, San Francisco, Ottawa, London, one continental capital (Paris or Rome), Cairo and Singapore. These emporia might be run by the Export Promotion Section of the Central Handicrafts Marketing Committee on behalf of all the public emporia in India. The All India Handicrafts Board should provide funds for establishing and running these emporia.

515. It is assumed that no state emporia will try to set up separate sale depots in foreign countries.

516. The emporia abroad should undertake a vigorous sales drive in their respective regions : USA, Canada, UK, Europe, Middle East and Africa and South East Asia. They should be headed by persons with long business experience and have on their staff commercial travellers for field canvassing and procurement of orders.

517. There is another important activity which the Export Promotion Section of the Central Handicrafts Marketing Committee might undertake. It should run inspection depots in important handicraft towns where articles intended for export by registered exporters are inspected and certificates issued to the effect that the goods have been manufactured and packed according to specified standards and in complete conformity with the laws and regulations of the government. If the government could be persuaded to recognise these certificates as valid clearance at ports without further inspection by Customs authorities and if the certificates could be recognised by foreign customers as the hallmarks of quality, the Committee would have rendered great service both to exporters and importers. The general lack of knowledge about the complicated customs and exchange regulations and prolonged correspondence and inspection are responsible for great delays and physical and financial damages in the course of export. An inspection service of the kind suggested would be the best means of eliminating them.

518. Until such time as this service is undertaken the Committee should render full information and advice to exporters regarding the current regulations and the government should consider establishing more Customs inspection depots in the important handicraft towns themselves. For, one universal compppntnioxfloa eerters is that wh

handicraft packages are opened by customs authorities for inspection much delay and damage is caused. A beginning may be made with inspection depots in towns like Moradabad and Mirzapur from where heavy exports of handicraft goods originate.

The All India Handicrafts Board

519. The status and structure of the All India Handicrafts Board itself needs to be basically altered if it is to discharge properly its manifold responsibilities in connection with the development of handicrafts. At present it is merely an advisory body which recommends to the Governments of India development schemes submitted to it by the State Government and other institutions for financial assistance. It is absolutely essential that it should become an autonomous body with power to use its funds and appoint its personnel directly. It should not only be in a position to give financial assistance to State Governments and other institutions at its own discretion but also to administer its own schemes, and set up and run new institutions (production centres, training and extension centres, design units, inspection depots, sales depots, common facility shops, pilot cooperatives etc.) under its direct supervision.

520. As regards the consideration of schemes, we recommend that the All India Handicrafts Board should, like the All India Handloom Board, clearly enunciate the principles according to which it will examine and approve schemes submitted to it by the State Governments and other institutions. Schemes may be divided into the following categories.

Marketing (Internal)
Export promotion
Supply of raw materials
Research, training and extension and supply of improved equipment
Production centres
Designing
Quality Control
Publicity
Exhibitions
Credit and credit insurance

521. The principles adopted should follow, as far as possible, the recommendations made in the previous chapters under each of these headings.

522. During the last three years, the All India Handicrafts Board has not been able to scrutinise the schemes submitted by the State Governments in sufficient detail. It is necessary that in future the All India Handicrafts Board should have the schemes examined on the spot by its own field officers before they are considered by the Board. The field officers should report whether the schemes are consistent with the principles laid down by the Board and have been carefully worked out.

523. Also, the number of schemes prepared and administered directly by the Board itself should increase. Among these priority should be given to the Pilot Cooperatives Programme suggested in Chapter 4. While the cooperatives may be registered under

the State Acts and receive such help as the normal machinery of the State Governments can give, the All India Handicrafts Board should finance and look after these cooperative directly through its own field staff until they stand on their own feet.

Training of personnel

524. Scarcity of personnel is the greatest bottleneck of development. Whether it is technical improvement or design development, emporium management or export promotion, cooperative organisation or research, progress is now limited not so much by lack of finance as by the difficulty of finding the right persons for these jobs. It is also clear that in the field of handicrafts, the persons required for these jobs need to have a special knowledge of and a special attitude towards handicrafts, in addition to the usual educational qualifications. The best way to find them is for the All India Handicrafts Board to have its own training programme for each type of personnel. Special courses should be devised for the purpose. And the reorientation of the present staff should be given as much importance as the training of the new.

Research

525. In the end we would like to stress the vital importance of continuous research in the economics and sociology of handicrafts. Without a detailed knowledge of the conditions prevailing in every craft from centre to centre, realistic development plans cannot be formulated. Our work has made us acutely aware of how little is known of the human, social and cultural story that lies behind Indian craftsmanship. We cannot urge too strongly that the All India Handicrafts Board should have a very strong research division which continuously prepares and publishes exhaustive studies on the historical, economic, technical, aesthetic and social aspects of every single Indian handicraft. It should also liberally help Universities and other non-official research organisations to undertake such studies. These studies will at once provide the inspiration and practical wisdom required for the rejuvenation of Indian handicrafts.